

Environmental factors affecting upon mcdonald's management



Executive summary

The main purpose of this paper is to explore and discuss environmental factors affecting upon McDonald's management functions. And current strategies the company currently using to tackle these environmental impact. This will be achieved by exploring how McDonald's tackle with all of the external and internal environmental factors.

There are many environmental factors that were selected to outline the achievement of McDonald's corporation. They are:

- Customers
- Product or service
- Competitor
- Employees
- Technology
- Political factor
- Economy
- Environmental factors
- Culture and religion
- Globalization
- Law
- Share holders

Current Strategies that are used by McDonalds tha we are going to critically analyse are:

- SO Strategy

Expand into china

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Acquire Krispy Kreme Corp

- WO Strategy

Menu development

- ST Strategy

Forward integration with Disney and Ocean park

Market Penetration for Coffee line in China

- WT Strategy

Development of New Menu

Redesign the website

Increase sales

Introduction:

McDonald's the biggest fast food restaurant in the world established in 1955 in Illinois USA, more than 30, 000+ restaurants located in 120 countries worldwide, serving more than 54 million customers per day. In December 2005 McDonald's reached a record high of revenue of more than US\$21 billion world wide. With 390, 000+ employees, McDonald's now is the largest over the counter food service restaurant in the world. The corporation functions mostly by means of franchisees. McDonalds is one of the many corporations that have successfully used a combination of various marketing strategies to be a globally successful organisation.

Product Line:

McDonalds operates in 3 major categories of food items/product lines:

- Snack foods
- Desserts
- Beverages

The major product line is of the Snack foods division while Desserts and beverages are relatively more secondary in nature.

Desserts:

Desserts offered are Ice Creams and Pies. Variable for division are based on Price and Consumer preference and taste. Most low price item is Soft Serve Ice Cream cones. In medium price range many types of ice creams and varieties of pies.

Beverages:

Three types of beverages are offered namely, Soft drinks, Coffee and tea. Variable for division are based on consumer preference and taste.

Environmental Factor Impacting McDonalds:

Discussion of the environmental factors impacting McDonalds, placing emphasis on the key drivers. Environmental effects got important impact on company's global and local business platform. As areas like social, political, environmental, economical, and culture are very sensitive and critical that's why, those must be addressed appropriately for company's success. On the other hand strategy is really important for company because it's a direction and scope of company over the long time.

The environmental factors which are under macro and micro environment, directly or indirectly impacting McDonalds. Currently McDonalds is using

many strategies which got negative and positive effects on company revenue. MacDonald's should keep the successful and effective strategies and redesign or modify the ineffective strategies. The dollar have many different values around the world, so it also effects the international currency exchange rate and fixing the right price for their product. Many issues like this have occurred in many of those regions, and about 120 countries served by McDonald's that rely on the effective decision for their price range for the local currencies to successfully make profit in that region.

As McDonalds is a global company and running businesses most of the countries in the world that's way, this company faces lots of challenges and issues. There is a relation between key drivers and environmental factors because the key drivers for change are environmental factors who have got a high impact on the success or failure of strategy.

Customers:

Customers are a vital environmental factor for McDonalds. Every day nearly 54 million customers served by McDonalds. Though McDonald's customers are mainly young generation. That's why, companies are always conscious about their choice. For this reason, customers demand, their choice, their liking, everything is impacting McDonalds.

Product or service:

McDonalds producing their won product and they are serving those directly to customers. That's way the factor of product and service is impacting McDonalds. Product quality, product variety, quick and friendly service,

every things are important for company. Those got an important impact on McDonalds.

Competitor:

McDonald's main competitors are Wendy's, Burger king and Hardees.

McDonalds always needed to treat competitors carefully. That's way the factor related with competitor like competitors product quality, service, price competition, market, sales, growth everything impacting McDonalds.

Employees:

More than 390, 000 employees working in McDonalds. Employees are impacting McDonalds because company is recruiting, training staff for company. And at the same time wages also related with this. It is not uncommon for McDonalds to be the employer of first resort for young people just entering the workforce, older workers desiring extra income, or for those planning on transferring from one corporation to another. So, employee is impacting McDonalds in this way.

Technology:

McDonalds is producing their main product that means burger, salads in their own kitchen, they are cooking all fries, nuggets and meat patties in their own grill. So, the use of equipment, special control devices, temperature regulators, point-of-sales systems, inventory upkeep, financial information and communications are all linked to different technologies. In this way technology is impacting McDonalds.

Political factor:

Different political decision, rules, motives are impacting McDonalds. Different countries might have different political view; they could take different decision about food Company. Specially laws, because government makes laws and this law might be changed at the same time of government changing.

Economy:

Economy is important factor which is impacting McDonalds. Company always need to thing about profitability, growth, to expand of company. So, they need to consider countries demand, supply, production, distribution, exchange rate, business cycles, and differential economic growth rates around the world.

Environmental Factors:

McDonald's is growing day by day by increasing the number of restaurant. The main source of ingredient and packaging is nature. McDonald's has a Rain Forest Policy, which declares its commitment to beef purchasing practices that do not contribute to tropical de-forestation. Everyday McDonalds using a huge amount of napkins, carry out bag, tray lines, clamshells. Oil and water is other major ingredient using in McDonalds. The continuous and enormous use of natural resources can disturb the balance in the ecosystem. In Europe, McDonald's for some time now has been recycling leftover vegetable grease/oils by recycling them to convert into fuel for their diesel trucks, every body are conscious about environment. So, McDonalds needs to careful about environment that, what McDonalds are doing that's environmental friendly.

Culture and Religion:

McDonalds is doing business worldwide. So, different regions customers got different culture and religion. McDonalds need to think about, cultural and religion rules and tradition. For example, in the India, the non-vegetarian menu have the option of fish and chicken items only. Beef is not on the menu in India because are considered sacred. Like that, in Muslim countries McDonald's introduced halal meat for burger.

Globalization:

As, McDonalds is an international and worldwide fast food company that's why, globalization is effecting McDonalds corporate strategy. McDonalds is trying to expand its business in global market i. e like China. That's why before moving into global market McDonalds need to consider about the region, culture and religion of customers. More over McDonalds need to think food habit and chose of customer of new regions. And the same time regions government rules, law, economy, politics economy, everything is impacting McDonalds to build their business.

Law:

Different country got own law which is impacting McDonald's. Health and safety has a distinct impact on the functioning of chains in different countries. For example, all restaurants in the Muslim region are halal-approved, meaning food is prepared and handled according to the tenets of Islamic law.

Share holders:

Share holders impacting McDonalds because they invest money on that.

That's way, if MacDonald's do good business and if its prospect is good, then <https://assignbuster.com/environmental-factors-affecting-upon-mcdonalds-management/>

price of share will increase and there is a possibility of getting more dividend for shareholder. On the other hand if company needs more money for invest then McDonalds will issue more share in market.

Critical evaluation of current strategies in use:

SO strategies:

- Expand into Chinese market (increase advertising and restaurant locations)

Two decades ago, McDonald's was largely unknown in Beijing. The first McDonald's was in Shenzhen in 1990. And now, by this time McDonald's expanded into China rapidly.

After home market USA, China is the no 1 growth market for McDonalds. now, McDonalds got more than 960 restaurants and over 60, 000 employees in China. McDonald's is operating in more than 100 cities in China with plans to open 500 stores in next five years. McDonald's is planning to open 125 restaurant this year, 150 in 2009 and 150 in 2010 in China. The main reasons of expanding business in China are increase advertising and restaurant location. Company is choosing bustling Commercial Street of the capital city.

- Acquire Krispy Kreme Corporation:

McDonald's is trying to acquire other food company to make it strong.

Krispy Kreme is one of those, which operate whole sale doughnut

distribution business. It suppose to be help McDonald's to grow more and

do more profit but Krispy Kreme did not have enough reputation about profit and share value.

For the quarter ended Oct. 31, 2004 Krispy Kreme reported a net loss of \$3 million, or 5 cents a share, versus a profit of \$14. 5 million, or 23 cents a share, in the year-ago quarter. Income from ongoing operations before other charges and store closing costs waare \$2. 4 million, or 4 cents a share, below average analyst expectations of 13 cents a share, as reported by Thomson First Call. The company's share price declined 16 percent to \$9. 64 on Nov. 22, 2004, So, its a challenge of McDonald's to deal with Krispy Kreme. If McDonald's doesn't handle Krispy Kreme carefully company couldn't be benefited.

WO Strategies:

- Menu development(healthy lifestyle & Hispanic foods lines):

McDonald's is promoting a healthy lifestyle to customers, that's way they

are couching kids in cool sports activities like bike riding, show boarding

and playing baseball. From the given case study, we realize that, they put

rating 2 for developing a " healthy lifestyle program to attract health

conscious consumers, where weight is 15 and weighted score is 0. 30.

McDonalds is also introducing more health-conscious menus like the fruit

and walnut salad and the new option to change fries with fruit in Happy Meals menu. Recently Hispanic population has increased by 14% in U. S.

That's way McDonalds always introducing Hispanic menus like Fiesta menu, and lots of chicken menus. And these Hispanic foods are not only

popular for Hispanic people but also for general market.

ST Strategies:

- Increase the number of restaurants located in theme parks Disney & ocean Park:

McDonalds not only open their restaurant in general in busy place it also

increasing the number of restaurant in theme parks Disney & ocean park.

At first McDonalds did struggle to open and do business in Walt Disney, Disneyland. Company opened its ninth restaurant in Des Plaines, Illinois,

in suburban Chicago, Illinois in 1955. And surprisingly the first day

revenues were \$366. 12. kroc. After that company is always trying to build

restaurant in all famous and popular theme parks like Disney and Ocean Park.

- Increase advertising of coffee line in key markets (China. North America):

As, in China and North America McDonalds got a big market. That's way

McDonalds took strategy of advertising of coffee line in those key market.

But in China, there are lots of traditional small coffee shop all over the country, which price is really cheap. On the other hand North America

the " land of coffee". People of this zone are habituated to take nice and

fresh coffee with cheap price. So, it's really a challenge for McDonalds to

increase coffee sales in those key markets.

WT Strategies:

- Develop the menu to keep up with competition (Asian and Latin American)

Customers got complain against McDonalds about the product variety.

From the given case study we saw that McDonalds rating is 3 for product

variety where weight is 0. 10, and weighted score is 0. 30. Where as two

competitors Wendy are rating and weighted score 4 and 0. 40 and Burger

Kings are is 3 and 0. 30. So, McDonalds could do product develop by taking new food idea from Asia like lam burger, vegetarian burgers and food, chicken tikka masala which is really popular for Indian people. As like

as Teriyaki Mac from Japan, variants of Filet-O-Fish from China, ice cream

with green beans or red beans from Hong Kong. And from Latin America

McDonalds could take idea of Roasted beef Burritos, taco recipes, fajitas etc.

- Redesign the website to make it more user-friendly and to compete better with completion:

Customers always complain that McDonalds website is not user friendly

so, McDonalds should redesign their website to make it friendlier.

Otherwise they will be failure to compete with other. McDonalds should put

all restaurant location, food value nutritional content of their meals, price,

new food, all promotional offers, and special menus of week in website.

- Increase sales promotion and advertising expenditures in key markets:

McDonald's has for several years now maintained an explicit advertising

campaign. In addition to the normal media like internet, radio, television,

and newspaper, the company makes remarkable use of billboards and

sign-age, sponsors sports events that starts from local Little League to the

global Olympic Games, and uses coolers of orange drink with their logo

readily available for local events of all sorts of occasion. Moreover,

television advertising has always played a big role in the company's

advertising Campaign. McDonald's Europe introduces Fairies and

Dragons

video game concept include with classic children's Happy Meal menu.

For

sales promotion and advertisement McDonald's spend huge money in

their

key marker. From the given case study, we know that McDonald's rate

is 3

for advertising when weight is 0.13 and weighted score is 0.39 but its true

that McDonald's should choose right media to advertisement and right sales promotion on right product on right time.

From the above discuss we could easily say that, which strategies McDonalds is using, those got some drawback, so McDonalds should modify those strategies and should use right place on right time.

Recommendations:

Due to this industry's competitive nature and McDonald's degree of financial strength and competitive rivalry, it would be recommended that McDonald's take a competitive strategic direction. Alternatives to consider include an acquisition, conglomerate merger, or turnaround. Both acquisitions and conglomerate mergers are feasible for McDonald's financially as they currently have both with Boston Market and Wal-Mart. However, Jim Cantalupo has recently implemented a promising new business model which is still in the process of being fully integrated, thus effects of his turnaround strategy are still being realized and additional changes could negatively affect those already implemented.

In keeping with the goals of Cantalupo's strategic plan involving the second driver of exceptional customer experiences, an acquisition of a smaller healthy operation could prove profitable and work to push McDonald's into the aggressive quadrant. Among the companies to consider for an acquisition focus should be on bread specialty shops such as Atlantic Bread Company or Panera, deli style shops like Quiznos, or any other "fresh" type

of food. While it is important to acquiesce to customer wants and needs, McDonald's should stick to their core competencies and maintain their image as the burger leader. Few health nuts will probably ever visit McDonald's even with a healthier menu selection.

Conclusion:

In conclusion, McDonald's should primarily work towards the successful implementation of Cantalupo's turnaround strategy. Acquiring a healthy food chain supports this strategy while offering McDonald's the opportunity to continue to profit in times of higher concentration on nutrition without undergoing the millions in research and development to alter their own menu. Though, McDonald's is still the largest over the counter quick service food restaurant in the world. After that McDonald's should consider the environmental factors which impacting company. And the strategies which company is using now, those have positive and negative effect on business. The management of McDonald's have to continuously keep an eye on the umbrella activities of the organization, by evaluating what works and what don't to create the organization strategies. In order to implement the strategies effectively and successfully, the upper level management should create a safe environment for reassure, support, changes, and commitment of the organization. It is then recommended that McDonald must make sure that all the strategies are well planned and implemented carefully beforehand, because these changes and strategies will be the deciding for the success or failure of any organization.