McDonald’s

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Introduction - Agenda

- Company History & Current Operations
- Company Strategy
- 5 Forces Model
- Labour & Legal Issues
- Product Lines
- Cultural Differences
- Conclusion
Company History

- 1954-1955
  - Albert Kroc, Des Plaines, Illinois

- 1956-1963
  - Company Manual
  - Ronald McDonald, Any Language means "Fun!"

- 1964-1973
  - Wall Street
  - "Big Mac", "Egg McMuffin"
Company History

- 1974-1993
  - First Ronald McDonald House
  - The Happy Meal
  - McDonald's Express

- 1994-Present
  - Worldwide expansion
  - Website
Company Goals & Objectives

- McDonald’s Mission Statement
- Plan to Win
  - Operational Excellence
  - Leadership Marketing
  - Innovation
Current Operations

- Current CEO Jim Cantalupo (USA)
- McDonald’s operates in more than 119 countries
- 31,000 restaurants worldwide
- Each and every day they serve 46 million people worldwide
- Employ more than 1.5 million people
Distribution

- Franchises: 57.43%
- Company-operated: 28.93%
- Affiliated: 13.64%

USA: 13,491
APMEA: 7,555
Europe: 6,070
Latin America: 1,605
Canada: 1,304
Diversification

- Boston Market (662)
- Chipotle Mexican Grill (232)
- Donato’s Pizza (181) sold in 2003
- Pret a Manger (8)
Income Statement
Stock Information

- Current Stock Price - $28.91 US
- Shares Outstanding = 1.3 Billion
Business Strategy

- Overall Low-Cost Provider
- Broad Range of Buyers
- Lower Cost
- Best-Cost Provider
- Differentiation
- Broad Differentiation
- Narrow Buyer Segment or Niche
- Focused Low-Cost
- Focused Differentiation
Five Forces

- Substitutes: Strong
- Suppliers: Weak
- Competition: Strong
- Buyers: Strong
- New Entrants: Weak
Suppliers

- #1 purchaser of beef, pork, and potatoes in the U.S.
- #1 purchaser of Coca-Cola worldwide.
- #2 purchaser of chicken in the U.S. (behind KFC)
- Global agriculture
- Commodity suppliers have little power
Direct Competition

U.S. Market Share

- Mcdonald's: 49%
- Burger King: 19%
- Wendy's: 13%
- Other: 19%
Substitutes

- Corporate:
  - Sub chains, Pizza chains, Restaurant chains, KFC

- Independents
  - Restaurants, mall outlets, street vendors

- Grocery Stores

- Cafeterias
Buyers

- Three buyer segments:
  - Children
  - Young Adults
  - Adults
Labour

- 1 in 8 Americans have been employed by McDonald’s.
- 413,000 employees in 2002 (4.5% growth from 2001)
- Teenagers make up the bulk of the workforce.
- McDonald’s is notorious for anti-union activities.
Legal Issues

- Class Action Lawsuits Against McDonald’s
- Responsibility for Suppliers?
- Silencing the Critics
- McLibel Trial
#1 Children’s Clothing line in U.S.
90% of American Children visit once per month
Largest private operator of playgrounds in U.S.
96% of schoolchildren can identify Ronald
World Children’s Day
Marketing to Children, continued global trend.
Product Lines

- McDonald’s is evolving to remain relevant to consumers worldwide.
- Objective = By featuring a variety of Value, Premium and Wholesome menu offerings we can deliver the right products at the right price for our customers.
- Main Items:
  - Chicken McNuggets
  - French Fries
  - Big Mac
  - Fountain Pop
<table>
<thead>
<tr>
<th>Menu Item</th>
<th>Calories</th>
<th>Total Fat (g)</th>
<th>Sodium (mg)</th>
<th>Carbohydrates (g)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamburger</td>
<td>280</td>
<td>10</td>
<td>550</td>
<td>36</td>
</tr>
<tr>
<td>Big Mac®</td>
<td>600</td>
<td>33</td>
<td>1050</td>
<td>50</td>
</tr>
<tr>
<td>McChicken®</td>
<td>430</td>
<td>23</td>
<td>830</td>
<td>41</td>
</tr>
<tr>
<td>Quarter Pounder® with Cheese+</td>
<td>540</td>
<td>29</td>
<td>1240</td>
<td>39</td>
</tr>
<tr>
<td>Medium French Fries</td>
<td>450</td>
<td>22</td>
<td>290</td>
<td>57</td>
</tr>
<tr>
<td>Chicken McNuggets ® Made with White Meat (6 piece)</td>
<td>250</td>
<td>15</td>
<td>670</td>
<td>15</td>
</tr>
<tr>
<td>Sausage McMuffin® with Egg</td>
<td>450</td>
<td>28</td>
<td>930</td>
<td>29</td>
</tr>
</tbody>
</table>
Product Life Cycle
Culture – McDonalds Worldwide

- Did minor studies on 7 main countries and have a few examples of some others:
  - Canada
  - U.S.A
  - India
  - Japan
  - U.K
  - China
  - France
CANADA

- McDonald’s in Canada
  - First store June 1, 1967 Richmond BC
  - 1,300 stores across Canada
  - McDonald’s Canada to offer new protein platters
  - Slight cultural menu adaptations
UNITED STATES

- McDonald’s in the US
  - Stop “super-sizes” for overweight Americans
  - Minor differences within the country. Hawaiian culture is testing out the use of Spam Musubi (egg, rice & SPAM) to a menu that already includes rice and Portuguese sausage.
  - Environmental issues
INDIA

- McDonald’s in India
  - McDonald's does not offer any beef or pork items
  - Strict Vegetarian products – completely segregated
  - Only Chicken, even egg less mayonnaise
  - Big Mac = Chicken & Mutton sandwich
McDonald’s in Japan

- Den Fujita – CEO McDonald’s Japan (Joint Venture with Jack)
- Viewed as a snack food not a meal
- Place of leisure for adolescence
- Promoted with Japanese icons only
McDonald’s in UK
- First opened in 1974
- 2.5 Million customers daily
- Seen as a high standard, quick service restaurant
McDonald’s in China (Beijing)

- No cheese – not an acquired taste
- Seen as an American modern dining experience
- Revitalized local restaurants to keep up with Standards
- Strong connections to local communities
FRANCE

- McDonald’s in France
  - Once seen as an American cultural invasion
  - Similar menu items as in a US McDonald’s
  - Has grown on French culture
  - Forced to live up to higher French standards
Other Examples

- Sweden
  - McDonald’s on Ski Hills – “ski-thrus”

- Greece
  - Offer lent product’s during Greek Saracostti
Conclusion

- Most widely recognized brand in the world.
- Pillar of American economy.
- Majority of revenue from foreign operations.
- Creates 1 million jobs annually.
- Leader in a mature market.
- Constantly evolving – “Plan to Win”
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