

Strategic Management And Business Planning For Mcdonalds

1.0 Introduction

The concept of Mc Donald's restaurant chain stems from the union of two creative intellectual heads of American siblings Maurice Mac & Richard Dick Macdonald who moved into California in 1930, USA to commence a restaurant business which turned reality in 1937. The brothers understanding & implementation of thoughts in restaurant business paved the way for many aspiring entrepreneurs in 1948, when they introduced the "speedee service system" by which they cut short the hassles of customers & at the same time as a business strategy reduced hamburger costs to as low as 15 cents. The menu list was also sorted out tactfully which inspired many intellectual minds like one of Ray Kroc, who took over the company during 1955 & was the founder & proprietor of present Mc Donald's restaurant chains. Presently the headquarters of Mc Donald's restaurant chain is located at Oak brook, Illinois, USA.

1.1 Internal resources & capabilities

Presently Mc Donald's operates in over 100 countries around the world & has opened up 32,000 restaurants across the globe and has employed more than 1.6 million employees worldwide. More than 97% of the employees work at company operated outlets. The Mc Donald's restaurant chain has influenced the whole American society in a massive way. The geographical statistics are such that by the late 90s Mc Donald's became a necessity for most Americans who resided in places which were just a 3-minute drive from individual Mc. Donald's outlets.

(John f, 1995)

The company has till date has ranked among the top restaurant chains consistently; it was ranked the best restaurant corporation in 2007 by the Restaurants & Institutions magazine's list. It has been felicitated with the goodwill of best industry leader in 2010 by business week magazine. (Business week) The major strength of the company has been their treatment of employees & likewise more than 60% of its US employees are from the minorities group & woman. In a recently published sales report, Mc Donald's has reported to have fared its sales figures by 5.7% in USA, 5.3% in Europe & 10.3% in Asia, Middle East & Africa combined. The Media release below states the exact figures.

mc

(Corporate data)

Mc Donald's has been by far superior to its closest global competitor Burger King holdings Inc., Yum brands etc. Direct competitor comparison reflects the difference.

dir

(Revenue & income)

1.2 McDonald's SWOT Analysis

1.2.1 Strengths

The real strength of Mc Donald's food chain has been its global approach, via which it has left its competitors far behind in any global markets. Mc Donald's has lately explored the developing country markets like Taiwan, Malaysia, china, India etc. which have secured its sustainability in terms of expansion, that is global presence. Developing countries markets have a growth rate of 7-28% in terms of retail packaged food ranging from above middle level incomes to lower middle level incomes.

(USDA, 2005)

The real strength for Mc Donald's in these countries are its already larger than life image which caused people in China go fond in 1994 when the chain's busiest outlet in Beijing. China was announced to be relocated. Investments in developing countries like Brazil have brought in fresh lease of life to Mc Donald's authorities. The company has set its foot tight based on stats of 66,000 job creations, adding \$1.5 to Brazil's economy.

The following points will stress on the global strengths of Mc Donald's:

Through student scholarship programs, Mc Donald's has built its image equivalent in stature to its global presence.

The cleanliness of the restaurant chain, which fact was given importance by Ray Kroc from the very first day itself.

It has places its outlets at public places like airports, popular malls, gas stations, petrol pumps.

Mc Donald's has shown sheer adaptability when it comes to flexing itself for the sake of a regional market. One fine example is it runs its operations in India without including beef in its menu. (James L. Watson, 2006)

It has one of the most famous trademarks which global people have accepted as substantiate of trust.

It's global presence, because this fact makes up for deficit in revenues for any particular region.

More than 80% of its restaurants worldwide are run by franchisees, which don't allow all regional economic ups & downs to affect revenues. (shareholder data)

Secured online delivery options in developed countries, which enhances public data security as well as trust (online ordering).

Through various environmental initiatives globally, Mc Donald's has enhanced its sustainability.

Investment barriers in France lifted after global economic slowdown (time news).

1.2.2 Weaknesses

The majority weaknesses of the company have generated in economically mature countries where food & restaurant business scopes have reached saturation. Annual growth rates in such nationals or zones 2-3%. Anti west emotions, anti-trust on multinationals are posing barrier in countries like India.

(Dr. Amit Rangnekar, NMIMS)

The major weaknesses are listed below:

Stagnant annual growth rate in developed nations.

Company's share distribution law is bound to Illinois state local law which may not be compatible with laws in other global countries. (corporate rule boundary)

Lack of innovation in menu in the recent past.

Its menu is predominantly children (children orientation).

The company has had a number of lawsuits in Malaysia & UK most of which are trademark disputes. (bbc news)

The major threat is the growing population globally which shrinks every food chain's possibility of expansion as foreign investors are expected to exploit local resources.

Ronald Mc Donald House charity which has taken the noble responsibility of looking after health & well-being of children.

(rmcd.com)

1.2.3 Opportunities

Investment in new ways of promoting

Be more flexible in terms of target customers

Investments in Asia, Latin America needs to be extended with only 169 students in India, 1200 only in Brazil.

Recent investments in Football world cup 2010, launch of Shrek happy meal has increased its scope many a pounds more.

Presence of its subsidiary 500 Mc Cafe in countries like New Zealand & Australia which further enhances its revenues. Opening up of French market to further investment owing to global economic crisis.

(Time article, 2009)

1.2.4 Threats

The biggest threat as to any other international brand suffers is the hiccups of economy in regional markets. Most of the currencies it earns are calculated in US\$ which are a further drawback.

The predominant threat has been of local conflicts originating from the chain's rapid expansion strategies

Expansion of major competitors Burger kings in Asia pacific, UK, and Latin America with a total of 12,000 restaurants

Investments in promotional campaigns in new markets.

Evacuation of Mc Donald's from France in early 2000s.

(Czinkota M, 2009)

1.3 External Market Factors

There are various external factors that are affecting the marketing strategies of Mc Donald's globally. These have been discussed below:

1. The first one is the Globalization that means the closer contact between various parts of the world with increase in the mutual understanding, friendship, and personal exchange between the citizens of the world.
2. Diversity among the cultures, languages, etc. between various people of the world.
3. The last one is the ethics and code of conduct of Mc Donald's in various markets across the world.

Mc Donald's has to act appropriately in different parts of the world. The cultures and the people have to be kept under consideration. For example, in India the menu contains only fish and chicken products in non-vegetarian menu. Beef products are a complete no. Global market decisions have to be made uniquely according to the country or the part of the world Mc Donald's wishes to serve. Mc Donald's understand that diversity in the cultures is not only ethical issue, but also business issue. Mc Donald's owns over 30,000 restaurants in different parts of the world, which means that Mc Donald's franchises with operators, employees, and customers that belong to almost all the cultures, ethnicity and religions on the earth. McDonald's has over 30,000 restaurants around the world, which means franchise owner/operators, employees, and customers represent just about every culture, religion or ethnicity on earth. With this, Mc Donald's is required to promote local suppliers with this diversity and also need to retain those suppliers that have same cultural background in every country.

Mc Donald's is an international brand now that has successfully spread its wings in all parts of the world. Mc Donald's being such a popular brand, they have had the opportunities that they have successfully met and they had the ability to overcome their weakness and fight with the threats to have a stand in the market.

2.0 Macro Environment Analysis

It includes 6 factors as given below:

Political Factors

The political ambience as for any international brand is very complex. The taxation rules, labor laws, environmental laws vary from country to country as per governmental rules. In 2003, the tax burden of Mc Donald's in Brazil mounted to 33% of revenue growth. Further in Latin America the company operates more than 1800 restaurants. The labor laws in vital markets such as the one in Brazil made it mandatory to follow an anti-discriminatory employment policy which truly is synonymous with Mc Donald's global policy.(global policy) Scenario in European markets are very promising, It has employed more than 2,78,00 employees for its operations there & more than 60% of its operations are operated by local residents there, which decreases its burden of falling under direct local law jurisdictions. In Asian markets, revolving around Japan, China, India predominantly the political aspects are bright where a mix of matured & developing economies where labor laws are doesn't affect much because joint venture & franchisee operated businesses.

(Europe environment report, 2005)

Economic environment

The global economy has been predicted by experts to increase at a steady rate. GDP growth is liable to private investment & consumption. GDP in developed countries are

projected to increase by 6.2, 6, 6% in order of years 2010, 2011, 2012. European market GDP growth are expected to grow at 3.3% in 2010, 2011 & 3.5% in 2012. Asian markets were predicted to go through a slow economy in 2008-2009 which is evident from Chinese economy growth of 7.5% in 2008. The revenue of Mc Donald's in Brazil market was a satisfactory US\$3.3 billion in 2003 (20). The brand registered revenue of US\$5.8 billion in 2005 in European market which contributed one-third revenue globally. The south-east Asian market is expected to flourish on large scale with predictions of Mc Donald's India revenues grow by a double in 2010 according to Mc Donald's India managing director, VikramBakshi.

(Reuters report, 2007).

Social environment

The social environment varies largely from developed countries to developing countries. As in Us & Europe, people trust brands more on quality of services & other etiquettes. Whilst in developing countries of Asia, consumers spend US\$580 billion on meal purchases outside home which is entirely contrasting & \$170 more than Mc Donald's US market stats & double the size of spending in European markets. The fast food chain has a policy to take care for its customer's well, as they try to make any food product just prior to its delivery and keep it maximum for only 20 minutes, after which that product, if not sold & consumed, is thrown into trash box.

Technological Factors

The McDonalds is running since a quite long time and they keep on enhancing their technological upfront. To talk about the services provided by the esteemed fast food chain, they take around 35 seconds per order to deliver in case the food items are well prepared in advance, but this time goes up to 4 minutes per order in case the food is not prepared in advance. Thus, this shows the advancement they have in their technology to produce a food item in less than 4 minutes of time. McDonald's have significantly been indulged into adopting and getting use-to to the new technology. The various parts of the management system, like the inventory system and the supply chain management system of McDonald's are so effective that they allow the company to work with ease by enabling easy payment methods for the suppliers and the other vendors. McDonalds actually recycle our used cooking oil into bio-diesel and then use it in delivery fleet. It has eliminated the concept of polystyrene based packaging and made people switch to paper and card board packaging which is today been manufactured by the recycled paper. It has also diverted the waste to Energy from Waste (EFW) facility in Sheffield and South London areas and plans to do that everywhere.

Legal Factors

McDonald's has taken well care of providing all the necessary details of its workings and information's related to the nutritional substance of their products, to its customers for the better trust and functionality. This is basically been done by this organization to be free from the obese charges on it.

2.1 Porter's competitive forces model

The Porter's 5 Forces model deals with the various factors outside the industry which actually influence the nature of competition and the forces within the industry, known as micro-environment, which actually influence the ways by which the company competes and also the industry's profitability is conducted by the Porter's Five Force Model.

Five Forces Analysis

2.1.1 Competition - Nowadays, every industry is going highly competitive and so is this fast food restaurants industry. There are now 'n' numbers of small and big fast food businesses who are always competing with each other in order to broaden their own customer base. McDonald's however an exception to this is. Being in this industry since 1940, McDonald's has excelled in this sector and in order to stay in the competition amongst the rivals, it came up with the Mc Café. Launching of this café helped the company to continue in the business existing as a major fast food business. Moreover, another big step was taken and was noticed when McDonald's started with its Breakfast in order to the other breakfast serving food joints. And, since then till date, it is growing and existing as one of the favorites of the customers.

2.1.2 Ease of Entry – There exists a very high cost of entering such a favored and well established industry. The entrant needs to invest much in the research and development, in entering and setting up and also in the competition. Moreover, well established and full functioning entities of this business for e.g. McDonald's makes it more difficult for a new entrant to hold the large market share of customers. Thus, the new entrants, if any, won't be able to succeed and also provide the product to meet up the price competitions.

2.1.3 Substitutes - There exist, a large number of substitute products in this industry and there exist wide variety, the customer can substitute a McDonald's burger with any other beverage, dairy product or anything else, and vice versa.

2.1.4 Strength of Supplies – The power of supplying the fastest and the safest way is an essential requirement in the fast food industry and to talk about McDonald's, its supply system is the one which is highly talked about and taken as an example to be followed.

2.1.5 Strength of Buyers - The relative strength of the customers is actually low in this industry due to the availability of the substitutes and due to the people going more health conscious.

2.1.6 Distinctive Notion – As per the reports of Business Week, currently, McDonalds hold 9th rank in the top 100 brands all over the country, as per the survey done in 2007. This fast food giant has a history of 69 years and has actually established a linkage with the customers. Having such a close relation with the buyers had made it rank so high and is now operating 120 and more franchises and restaurants, in India itself.

3.0 Key Elements of a Competitive Business Strategy of McDonald's

None of the organizations can exist in vacuum. They need industrial competition and expansion in order to exist and survive. Analyses of the competitors in the market not only help in analysis a firm's weakness and threats but also strengths and opportunities.

These competitive business strategies can be applied to Mc Donald's and it can be found that what made Mc Donald's the leader in the market despite the tough competition in this industry.

Greatest business strategy of Mc Donald's that has added to its strength is the product value. Customers know that what will come their way once they enter a Mc Donald's outlet. The emphasis on human resource is given by Mc Donald's that means taking care of both employees and customers.

Next strategy was the new products that are in line with the new generation and new taste. The diversity of the firm to bring up new product ideas is also strength. Trends with the customers changes and they don't stick to the brand till they have any new innovation to settle them with. Mc Donald's has given some new products to the customers and keeps coming up with innovative tastes like Mc Puff, Chicken Salsa Wrap, Ice Creams, etc.

People can find Mc Donald's easily when they go out. The overexposure worked for Mc Donald's as they people get taste easily and it's handy. With diversity in locations and such a huge chain of restaurants, Mc Donald's has made sure that the service and quality is maintained equally at every corner of the world where Mc Donald's exists.

The secret of market strategy lies in the audience firm targets. Mc Donald's mainly targeted kids. With their happy meals and fun toys, they attracted kids. However, now they target not only kids, but people of every age. This is clear with the advertisements they bring up regularly. All this has been because kids don't remain same; they grow up and become adults eventually. Thus, it is better to target all age groups and keep everyone happy.

There are various weaknesses that Mc Donald's has suffered; however, they are overcoming them with latest technologies and products. Like, internet is one technology that they have adopted to target the customers and provide them with attractive offers and various new excitements with Mc Donald's. Internet is not only used for motivation and improve performance, but now Mc Donald's even gives ease of ordering through internet and having delivery at their doorstep.

The overall evaluation of the external and internal factors helps in planning appropriate competitive business strategies. The strategies are modified keeping strengths, weaknesses, opportunities and threats in mind. The available resources have to be considered while planning. Making use of the core competency, mc Donald's can sustain the market competition effectively.

There are three aspects that have helped Mc Donald's in competitive business advantage and these are:

The managerial level and the organizational processes share a very good coordination and integration in Mc Donald's. All the employees and the managerial work in order to achieve the common goal. Mc Donald's understands the market well enough and they know the need of the hour and what changes are to be made to meet the present requirement. Mc Donald's is an organization that is flexible in terms of laws, government policies, customer trends and adaptation of technologies. Mc Donald's concentrates on the advantages of the organization. Apart from expansion strategies, Mc Donald's makes sure that organizational behavior and managerial expertise is maintained all over the globe.

Structural, financial and technological assets of Mc Donald's are in excellent position in market, which has given it a competitive business advantage. Mc Donald's also has right kind of people to manage these assets in right direction and improve overall performance of the firm.

Mc Donald's started with a vision that one day they will be the leaders in food industry and they have worked hard to realize that dream. Mc Donald's started with the intension to help out people who have almost no time to cook or are unable to cook or people who have no time to visit a proper restaurant. The aim was to provide quick service with quality and within cheap price. Keeping this vision in mind and goal to achieve, Mc Donald's used the right kind of man force and targeted right kind of people and now the world is aware of the success of Mc Donald's.

Mc Donald's has implemented the best of the ideas with their strengths and advantages to have an edge over the market. The marketing strategies they adopted, worked for them. Some of the unique features of the firm made them amazingly popular in the market. Cheap value products with timely new innovative ideas targeting different groups of people have made Mc Donald's the largest fast food chain in the world. Drive

through and take away counters have added extra ease to the customers and also the same quality and taste all over the world has won Mc Donald's respect and loyalty.

Today everything is outsourced by Mc Donald's. Finance, customer care, etc all is outsourced and managed by different bodies for Mc Donald's so that Mc Donald's can pay attention to the competition, fight it and still maintain the quality and deliver what is expected of them. Cheap price meals and flexible timings of the Mc Donald's outlets have done wonders for them, still Mc Donald's managers are not sitting quiet, they work regularly to maintain it all along and win over all kind of competition. There are many old and new competitors that have tried to take the position what Mc Donald's has made, but dedication and quality service from the firm has made sure that they don't shake from their position and they still stand tall and with heads high. Mc Donald's has learned through its course of success, what importance of customers is and how to make sure that they stay happy and loyal. This is the biggest competitive advantage that Mc Donald's enjoys.

3.1 Conclusion

McDonalds is working efficiently throughout the globe, thus it should continue to provide better and quick services to its customers. The food giant should further try to lower down the cost in the supply chain network in order to provide with low cost products to its customers. McDonalds should also try to expand their Happy Meal choices in order to attract more and more customer base and also to retain the current levels. It should also plan for opening more McCafes' serving the premium quality and specialty should be defined as the coffees and other beverages. Trying to have a concept of gifts during festive seasons for youth, kids as well as senior citizens will also help McDonalds to gain acceptance amongst people. Thus, keeping all the factors in mind, McDonalds is working good and should try to gain more acceptances combining the elements of globalization and internationalization.

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