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| **STUDENT ID:** | 201723945 |
| **COURSE:** | MSC OPERATIONS & SUPPLY CHAIN MANAGEMENT |
| **MODULE:** | EBUS602 – Strategic Operations Management |
| **TOPIC:** | Mc Donald’s – Operations Strategy |

**A burger and a logo

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**Introduction:** McDonald's, a global fast-food giant headquartered in Chicago, is renowned for its iconic hamburgers, fries, and signature sandwiches like the Big Mac. With humble origins as a 1940s drive-in, McDonald's has evolved through transformative eras, achieving unparalleled success and recognition. It remains a marketing powerhouse, especially beloved for its child-friendly Happy Meal. McDonald's, beyond its fast-food identity, operates as a real estate company. It either owns or holds long-term leases for the land and buildings of each franchised outlet. Franchisees cover costs for equipment, signage, seating, and décor (Britannica, 2024).

Originating in the 1940s as a drive-in, McDonald's has transformed through eras, securing unmatched success and recognition in the industry (Lu Ge, 2020).

**State of Operations:** In recent years, McDonald's shifted its traditional inventory management approach to enhance efficiency and cut costs. Implementing strategies like Just-In-Time (JIT), the company controls the flow of food processing at various production stages, saving production costs globally through a pull strategy. McDonald's adapts its products to comply with religious laws in specific countries, such as avoiding dairy and beef in Israel, catering to Hindu dietary restrictions in India, and excluding pork for Muslim consumers. This strategic adaptation ensures McDonald's global success while respecting diverse cultural and religious practices (Lu Ge, 2020).

**MARKET ASPECTS OF MC DONALD’S:**

**COMPETITOR ENVIRONMENT (Competitors and Stakeholders)**:

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**Burger King: Global sales:** (Restaurant Brands International Inc, 2022)/(Macrotrends, 2023)/**Strategic Shifts During Covid 19:** (PYMNTS, 2022)

**Subway** (Ray Shammamie, 2023) : **Global Sales/U.S. Presence** / **Strategic Shifts During Covid 19**

**Wendy’s: Global Sales**: (Financhill, 2024)/**U.S. Presence/ Strategic Shifts During Covid 19**: (Danny Klein, 2020).

**Stakeholders of Mc Donalds:**

**Internal Stakeholders:**

**Employees:** McDonald's values employees for excellent customer service with effective communication. Friendly service promotes customer loyalty. Hard work is rewarded with fair compensation, including overtime. A clean working environment is prioritized. (Weebly, 2020).

**Managers:** Managers at McDonald's organize staff, manage deliveries, and handle customer issues. They communicate schedule changes, prioritize fair compensation, and aim to satisfy stakeholders, aligning company profits with higher earnings for managers. (Weebly, 2020).

**Franchisee:** About 93% of McDonald's global restaurants are owned and run by independent local business owners, acting as franchisees (Mc Donalds, 2022). These franchisees, who have invested substantial amounts in their establishments, are keen on obtaining a favorable return on their investments. Their primary concern is to ensure McDonald's profitability and security (Weebly, 2020).

**External Stakeholders:**

**Customers:** Customers are vital stakeholders for McDonald's, focusing on price, quality, durability, and safety. With a daily global customer base exceeding 69 million, McDonald's engages actively through initiatives like Sloan Management's social media campaign, ensuring swift responses and informed consumers. (Prezi, 2024).

**Suppliers of McDonald’s:** McDonald's collaborates with key suppliers like Lopez Foods for USDA-inspected beef and Kenny Longaker, Frank Martinez, and Keystone Foods for various essentials. Strong supplier relationships are crucial, preventing disruptions and ensuring timely, quality raw materials for customer satisfaction. (M Rahman, 2023).

McDonald's actively promotes sustainable agriculture, aiming for a deforestation-free supply chain through ongoing commitments and partnerships (Mc Donalds, 2022).

**Investors:** McDonald’s investors, who buy shares, require a significant investment of £85,000. Despite risks, potential returns are promising, with restaurants typically generating cash flows ranging from £95,000 to £200,000.(Prezi, 2024).

**Key Driving Factors of Mc Donalds:**

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Figure 1: Segmentation chart

**Positioning** (Kathleen D Toerpe, 1994) / (Forbes, 2016).

**Targeting**: - (Mc Donalds, 2023a) / (Amy McKeever, 2017).

**Segmentation** (Wondershare EdrawMind): Developing a marketing plan is crucial to comprehend the company's target audience, facilitating effective communication and marketing. Identifying the consumer base allows McDonald's to tailor strategies, focusing on sectors with significant size and projected growth rates.

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**Performance Priorities of Mc Donalds:**

**Cost:** McDonald's emphasizes cost efficiency in operations, leveraging a supply chain strategy focused on reliable, cost-effective, and ethically compliant suppliers (Dfreight, 2023). Utilizing vertical integration, McDonald's controls supply chain components, reducing overall restaurant costs (Emilia Ashton, 2022).

**Quality:** McDonald's places utmost importance on quality, ensuring the delivery of safe and high-quality food daily. The use of authentic beef patties, freshly cracked eggs, and sustainably sourced whitefish exemplifies the commitment to quality ingredients (Mc Donalds, 2024b). Consistent quality is upheld globally through regular inspections, audits, and certifications at all McDonald's restaurants (Mc Donalds, 2024a).

**Dependability:** McDonald's emphasizes dependability in its operations, building mutually beneficial, long-term relationships in its supply chain strategy. Partnerships, like with major distributor The Martin-Brower Company, guarantee a reliable and consistent supply of ingredients and products to nearly all 15,000 McDonald's locations in North America (Emilia Ashton, 2022).

**Speed**: McDonald's is synonymous with quick, convenient meals, targeting segments like students and late-night customers. Operational efficiencies, optimized kitchens, and strategic locations enhance speed, a key brand attribute. McDonald's supply chain agility supports rapid new product introductions. Its global recognition compounds its speed advantage through swift market expansion (Monica Watrous, 2021).

**Flexibility:** McDonald's demonstrates flexibility in menu offerings, utilizing digital menu boards to cater to regional demand variations. The company adapts operations to emerging channels like digital, delivery, and drive-thru, aligning with changing consumer preferences. This commitment to the core menu, coupled with a focus on digital and convenience, forms integral elements of McDonald's growth strategy (Jeff Gelski, 2016).

**RESOURCE ASPECTS OF MC DONALD’S:**

**Capacity:**

**Total Capacity:** McDonald's operates a worldwide network of over 36,000 restaurants, catering to nearly 70 million customers every day (Mc Donalds, 2020).

**Number, size of sites:** McDonald's operates in various formats, including freestanding units, food courts, and drive-thrus, found in high-traffic locations like streets, gas stations, Walmart stores, and airports, with sizes ranging from 2000 sq.ft freestanding units to 300 sq.ft food courts (Ben Bold, 2019).

**Allocation of tasks:** McDonald's employs assembly line production, specialized equipment, and modular kitchen layouts for efficient and flexible capacity allocation (Joseph Francis).

**Supply Network (Mc Donalds, 2023b):**

**Vertical Integration:** McDonald's utilizes a combination of vertical integration and outsourcing in its supply network, owning approximately 5-10% of logistics and supply units, while the majority is outsourced to major distributors like Martin-Brower LLC.

**Network behavior:** McDonald's maintains a centralized distribution system, partnering with shipping firms such as UPS for logistics.

**Supplier relationships:** McDonald's maintains enduring agreements and mutual objectives with suppliers such as Lopez Foods and Cargill.

**Supplier development:** Offers training and assistance to fulfill criteria related to animal health, food safety, and sustainability objectives.

**Process Technology:**

**Automation:** McDonald's is incorporating automation, experimenting with self-order kiosks, mobile apps, conveyor belts, and robotic fryers and drink dispensers (Caroline Frost, 2019). Specially designed equipment, like metered ketchup pumps and clamshell grills, ensures precise and efficient operations at McDonald's. Notably, the innovation extends to using an aluminum scoop for filling French-fry containers, streamlining tasks, and enhancing speed. This commitment to innovative equipment design reflects McDonald's dedication to operational excellence and customer satisfaction (Nigel Slack).

**Integration:** The company employs kitchen display systems that link orders, inventory, and preparation instructions, integrating with point-of-sale (POS), supply chain, and accounting software (LAWRENCE GREGORY, 2023).

**Implementation:** McDonald's has implemented AI-driven voice recognition ordering systems at some of its restaurants, which use synthetic human voices and natural language processing algorithms to take orders (Forbes, 2022).

**Organization and Development:**

**Responsibility:** Operations at McDonald's are managed by franchisees or affiliate employees, with training procedures set by Hamburger University and centralized teams (Study Smarter, 2024).

**Product and service development**: The introduction of the Egg McMuffin is credited to franchisee Herb Peterson, driven by a desire to draw customers to McDonald's throughout the entire day, beyond traditional lunch and dinner hours. Peterson conceptualized this iconic McDonald's breakfast item, inspired by his personal fondness for eggs Benedict. His aim was to craft a breakfast option reminiscent of this classic dish, adding a distinctive touch to McDonald's menu and catering to a broader spectrum of customer preferences (Nigel Slack).

**Performance control:**the company conducts ongoing site inspections for quality control and customer experience, and shares performance data across units to propagate best practices (Study Smarter, 2024).

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**Matrix Discussion / Criticality (Very Critical [\*\*\*] / Critical [\*\*] / Secondary [\*]**

Critical competitive priorities for McDonald's include cost efficiency, speed, quality, and dependability, which are facilitated by core capabilities in capacity, supply chain, and technology. The dependability of McDonald's centralized and vertically integrated supply network is crucial, providing control and consistency to achieve these priorities while allowing for regional flexibility.

The implementation of automation and optimization of kitchen systems is instrumental in driving cost reductions, enhancing speed, and maintaining quality. However, it is acknowledged that excessive automation poses a risk to the valued McDonald's customer experience, highlighting the need for a careful balance.

Ensuring responsibility alignment and fostering grassroots innovation among franchisees is pivotal. This collaborative approach contributes to significant product developments attuned to local preferences, maintaining a balance between franchisee autonomy and adherence to centralized quality standards.

**Predominance (Market aspect vs Resource aspect)**

While foundational supply chain, organizational and technological strengths provide the capacity to compete, competitive priorities and innovations remain acutely steered by emerging consumer preferences, health trends, and competitive moves.

McDonald's operations strategy is led by market actions rather than internal capabilities. Resources provide the medium for market responsiveness. But the market dimensions lead in guiding strategic objectives, product development, channel expansion, and marketing campaigns.

McDonald's sustains market leadership precisely by letting the external marketplace guide corporate priorities and initiatives. Unparalleled scale, reach, flexibility, and financial strength empower bold responses to market shifts. But market signals direct the strategy.

**Balanced Reconciliation:**

McDonald's reconciles external market factors and internal resources exceptionally well at present through structural alignments, supply chain leverage, and scalability.

The firm's decentralized brand oversight model reconciles global integration with regional flexibility through franchisee autonomy. Supply chain control aids localization via customization capacity. Organizational communication channels provide market insights to guide innovation.

Notably, McDonald's leverages supply scale while maintaining an asset-light franchise model - granting both efficiency and agility to recalibrate operations to market changes. Resources fuel growth just as growth strengthens resources.

**Risks involved:**

**Over-reliance on franchisee responsiveness:** Operational integrity relies heavily on semi-autonomous partners to execute revisions while meeting brand standards. Lagging alignment could result from fragmented execution.

**Supply chain ossification:** McDonald's highly optimized supply operation concentrates on control and risk. Disruptions could significantly destabilize outputs.

**Market misinterpretation:** Despite structural franchisee insights, executive misreads of preferred menu varieties or digital inroads remain a possibility without adequate validation.

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