



New Ways McDonald's Is Trying to Win Over Millennials and build global sales

McDonald's has a millennial problem. Globally, sales fell 3.7% in August 2014, the largest monthly dip in a decade. While McDonald's struggles are widespread, the fast food giant is having a particularly difficult time wooing millennials, the all-important offspring of Baby Boomers who will soon be replacing that generation as the largest consumer demographic. *Fortune* recently cited data indicating that since 2011, the number of U.S. consumers ages 19 to 21 that ate at McDonald's at least once a month was down 13%. In a study about millennials' favorite fast food brands published earlier this year, McDonald's was ranked fifth, after Taco Bell, Subway, Panera, and Chipotle.

What millennials will and will not buy has been the subject of much market research, and the consensus holds that Gen Y prefers fast casual options like Panera Bread and Chipotle over McDonald's basically because orders are always easily customizable, and the food is deemed to be healthier, fresher, and higher quality. Millennials aren't content with cookie-cutter anything; they like being able to personalize everything from burritos to greeting cards so that what they get feels special rather than generic. Millennials have also shown a willingness to spend a little extra to get exactly what they want, especially when it comes to restaurants and food in general.

Add in the undeniable fact that the generation that came of age with the iPhone demands that companies use technology to make their lives easier and more comfortable, and it's not hard to see how McDonald's came up with a new "Build Your Burger" program that was tested in southern California and has been rolled out across the US and Australia under the new "Create your Taste" (CYT) concept.

As part of the CYT concept, customers place orders using a tablet, their mobile phone or a touch screen kiosk within the McDonald's store (technology!), and they personalize exactly what they want, including a choice of buns (artisan or brioche) and toppings (spicy mayo, classic ketchup, cheeses, guacamole, jalapenos, bacon, etc.). The customer then retreats to a table, and when the made-to-order meal is ready, a McDonald's worker delivers it on a trendy, wooden board, with the fries in a shiny metal basket rather than everything in tired old packaging and on old plastic trays.

The food and the overall experience are meant to come off as fresher, personalized, high-tech, and higher-end. However, the price is higher-end too: \$5.49 per burger, plus 80¢ extra if you want bacon. In some test markets, prices are even higher, starting at \$5.79. Add fries and a drink and you're close to \$10. It's easy to see how the concept would appeal to many diners, but especially to millennials, given what we know of their preferences. However, this appeal for gourmet, customised burgers is already being met by many gourmet burger restaurants, both franchises and standalone operations, globally. For example, in the UK there is Gourmet Burger Kitchen (<http://www.gbk.co.uk>), whilst in the U.S there are places like Red Robin Gourmet burgers (<http://www.redrobin.com/>), and Smashburger (<http://smashburger.com/>), who are globally expanding their franchise locations at quite a rapid rate. In the Asia Pacific region, McDonald's face formidable competition from Grill'd in Australia (<http://www.grilld.com.au/>), The Daily Grind in Malaysia (<http://thedailygrind.com.my/>), Berg's Burgers (<http://www.bergsburgers.com/index.html>) in Singapore and Monkey Bar in India (<http://monkeybarindia.com/>), just to name a few. Whilst all gourmet burger restaurants are typically priced highly, the difficulty for McDonald's lies in convincing customers that they have a value proposition that matches those of their competitors.



Potentially, one of McDonald's points of differentiation from its competitors could be around their suppliers that they use. McDonald's claims to work with the "best suppliers in the world", with a key focus on using locally sourced produce within each of their markets as much as possible. In line with this, they have implemented a global initiative of creating "supplier stories" which profile key suppliers that they

work with in some of their key international markets. For example:

(<http://www.mcdonalds.com/us/en/supplierstories.html>);

<https://mcdonalds.com.au/about-maccas/our-supply-chain>. This strategy, which focusses on the freshness and quality of the ingredients used in their products, has in some way been a reaction in response to some negative sentiment from public lobby and activist groups around the negative impact of McDonald's on the health and well-being of the community, particularly young children. The anti-sentiment towards McDonald's also comes from consumer publics who are part of anti-globalisation movement. The concerns of these groups relate to the implications of global businesses such as McDonald's focussing on profit maximisation and not adequately considering the broader social and economic implications of their operations through exploiting aspects such as such as work safety conditions and standards, labour hiring and compensation standards and environmental conservation principles.



Their focus on the gourmet burger market is not the only way McDonald's is trying to get millennials more on board with the Golden Arches. Millennials are renowned for being obsessed with brunch, which has become the new "dinner" for many millennial hipsters. Not surprisingly, it became apparent that back in July 2014, McDonald's quietly trademarked the term "McBrunch". BurgerBusiness.com, the blog that broke the McBrunch news, speculated that a McDonald's brunch could feature many menu items that are already available in different parts of the world, including the Tsukimi Burger from Japan (egg and burger patties topped with bacon and creamy tomato sauce) and the McMorning that's sold in Croatia (pork, bacon, potatoes, and cheese on a torpedo roll). So how might McBrunch work at McDonald's were it to be launched? One path would be the route it has chosen in Germany, where breakfast hours are extended beyond 10:30 a.m. on weekends and major holidays. Breakfast already has been extended "backwards" through the "McDonald's After Midnight" hybrid breakfast/dinner menu from midnight to 4 a.m. Brunch could be a weekend-

only event with a special menu. “Their declining sales show they have to do something,” Burger Business editor Scott Hume told *USA Today*, regarding McDonald’s possible foray into brunch.

