



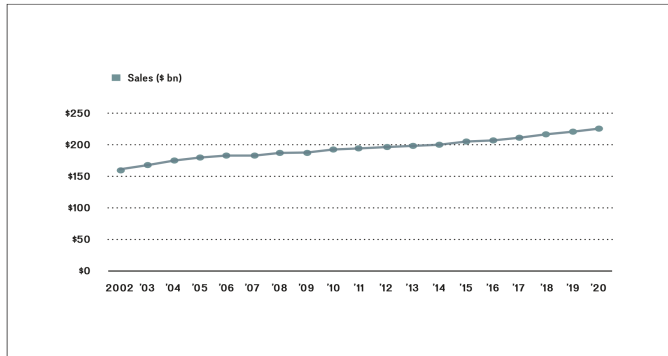
McDonald's

Yuchen Zhang, Dongchen Wu, Baoqiang Zhang, Fangda Hu, Shaokun Zhang

Current State | OPPORTUNITIES



EXHIBIT 4 Sales of U.S. Quick Service Restaurant Industry (\$ billion), 2002–2020*

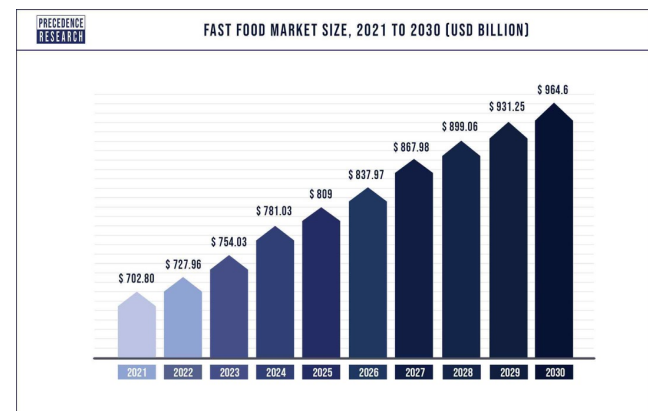


- Millennials prefer to eat out rather than at home, and they prefer quick-service, deli, and pizza joints over traditional casual and high-end dining.
- The improvement in economic conditions has led to an increase in purchasing power.
- In 2019, the text states that the United States had the lowest unemployment rate in 50 years.

-Employment growth

-The growth of hotels and restaurants has led to an increase in the consumption of fast food

-An increase in the number of women in the workforce has led to an increase in sales



Multiple factors have led to the steady growth of the fast-food industry to bring opportunities to McDonald's

Current State | STRENGTH



High Market Share

44.8% in the U.S

\$1.62 Billion

Willing to spend on
Marketing

Vertical Integration

Low Price, High Quality

McDonald's, with a high market share, prioritizes promotional spending and vertical integration.



Current State

Problem

Alternatives

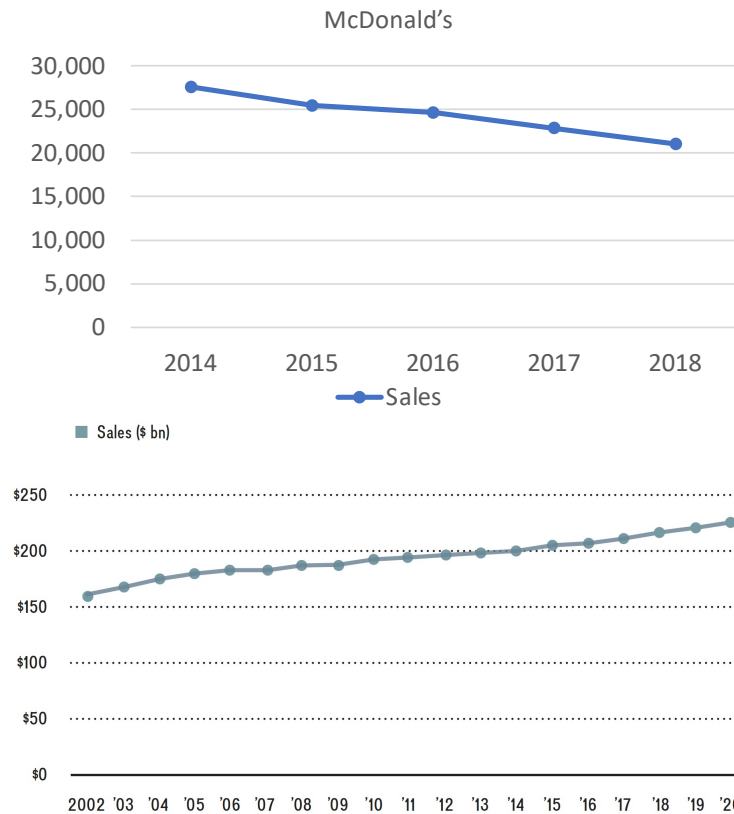
Solution

Implementation

Value

Risks

Current State | WEAKNESS



McDonald's Sales Decrease:
In the increasing fast-food industry

Low Reputation(Health Perspective):
McDonald's has been sued for making its customers fat

Over Complex Menu:
Increase workers' workload. Confusing Customer

In the growing fast-food industry, McDonald's is experiencing decreased sales due to its low health reputation and overly complex menu.

Problem | CHALLENGE



Facing a continuous decline in sales due to health-conscious market trends and fierce competition, McDonald's urgently needs to innovate its approach to increase appeal and drive sales growth.



Competitive Market




Healthy Trend












Decreased Sales

Fierce market competition and concerns about the health of food require McDonald's to make changes

Alternatives | ALTERNATIVES & CRITERIA



	Machine Learning	Fast Casual	Healthy Menu
Estimate Time			
Estimate Cost			
Reputation			

Using a healthy Menu is the best option among alternatives

Solution | RATIONALE



McDonald's should promote its new healthy menu to cater to customers' pursuit of a healthy eating lifestyle, as a way to boost sales.

Healthy Trend

- Consumers shift towards poultry and other lean meats
- Use healthier protein, such as grilled chicken breast and potato bun (Xu, etc. 2022)
- Attract millennials

Remove Unhealthy Items

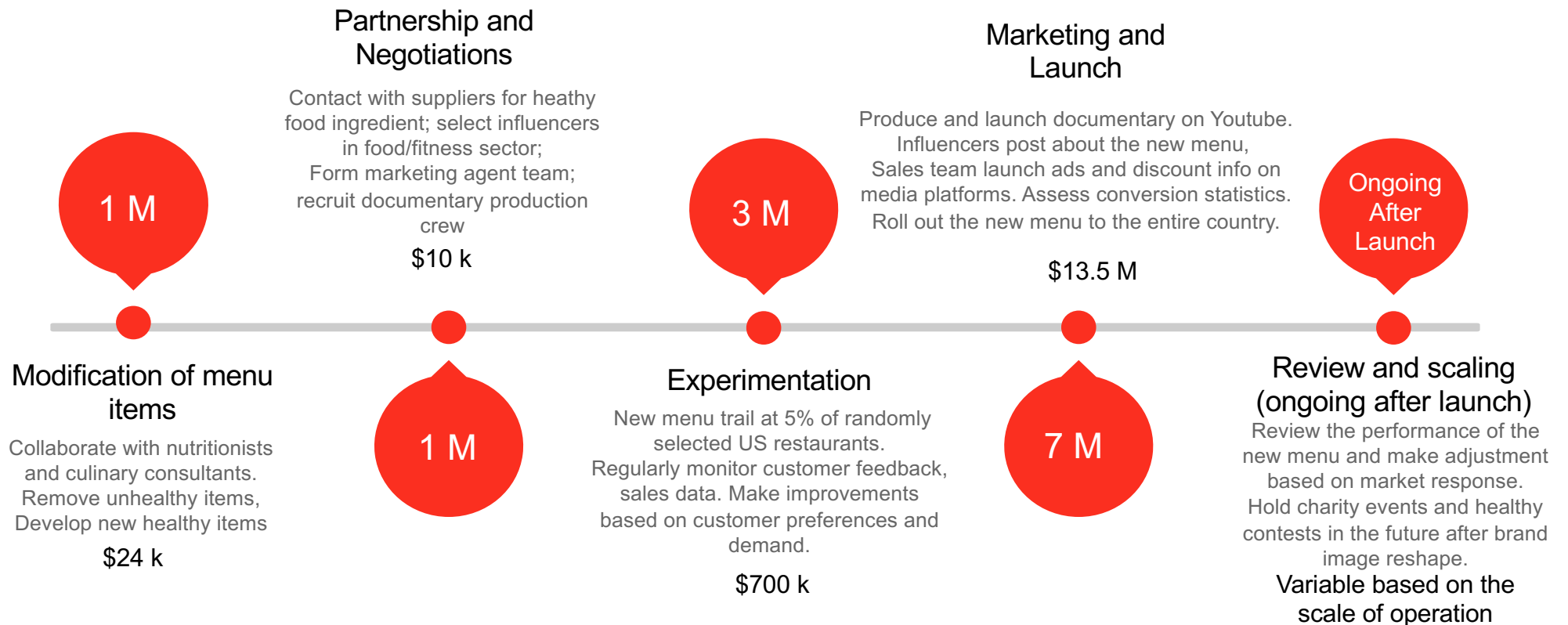
- Introduce healthy options, Grilled Chicken Sandwich(390cal vs 540cal big mac), and remove items with low sales and high calories
- Change wheat bun to potato bun

Promotion

- Use internet influencers
- Documentary films
- Healthy contests & obesity charity

McDonald's can boost sales by promoting a new healthy menu, catering to customers' health-conscious lifestyles

Implementation | RENOVATE MENU OPTIONS



The implementation plan will cost \$14M over one year timeframe

Value Generation | BENEFITS & DRAWBACKS



Benefit

Brand Image

Financial

Social Responsibility



Drawback



Menu adaptation

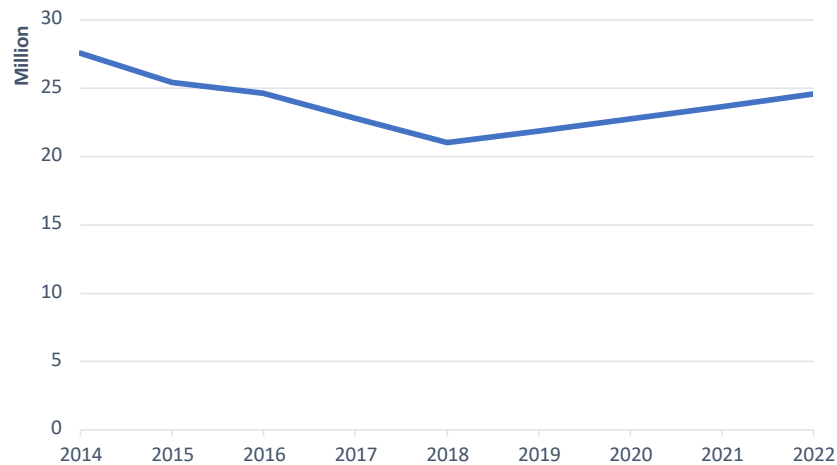
Employee Training Process

Implementing healthier menu options boosts McDonald's reputation, revenue, and societal contribution

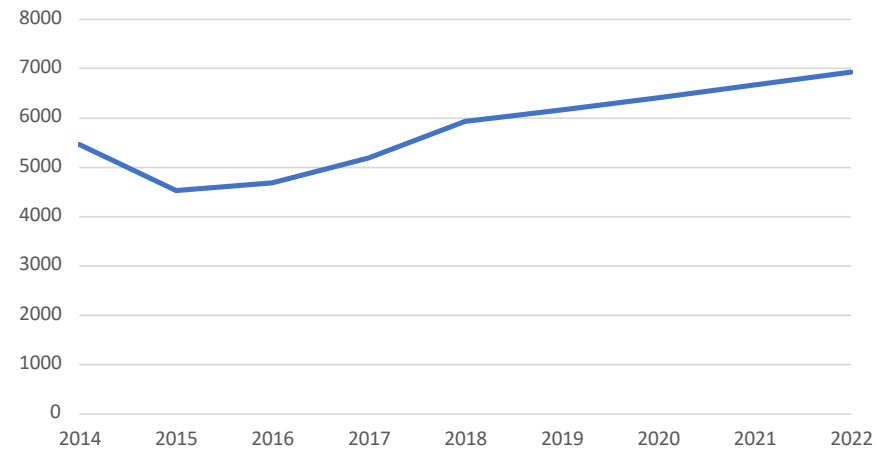
Value Generation | FINANCIAL PERFORMANCE



McDinald's sales



McDonald's Revenue



Sales = 27,567 M(2014) > 24,596 M (2022)
Revenue = 5,465 M(2014) < 6,930 M (2022)

Less Sales But More Revenue

To restore McDonald's to its former glory



Risk & Mitigation | FUTURE POSSIBILITY RISK



Supply Chain Disruption:

Diversify supply chain sources and maintain sufficient inventory levels to minimize.



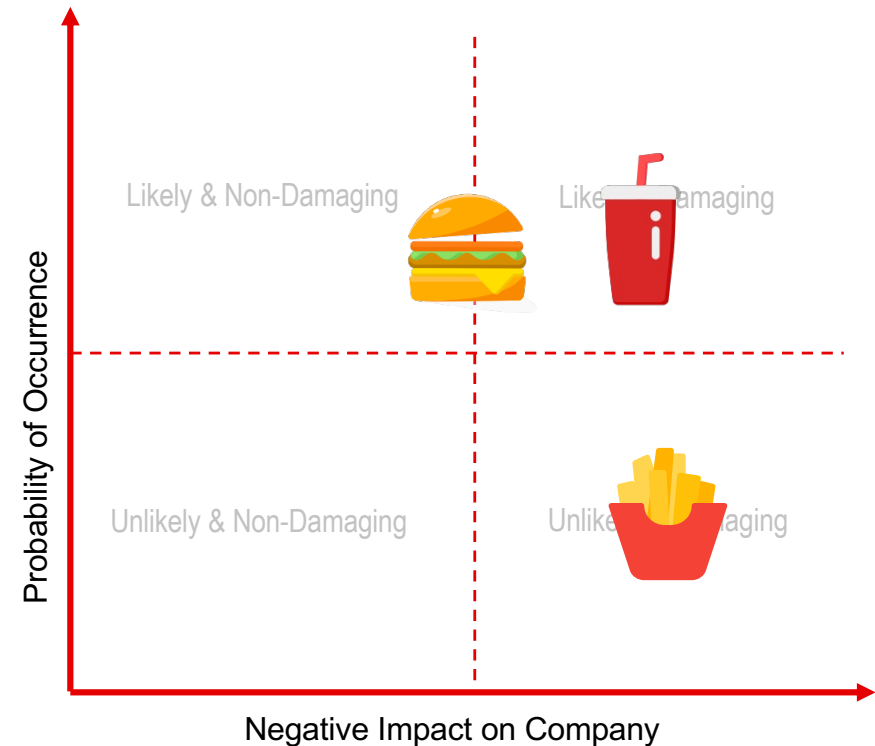
Brand Perception Shift:

Communication strategies emphasize that new healthier options are additions, not replacements of customer favorites.



Customer Experience Potential bias:

Diverse trial stores, communicate effectively and gather feedback.



Despite potential operational and customer experience challenges, we have planned mitigation strategies



Executive Summary

Problem:

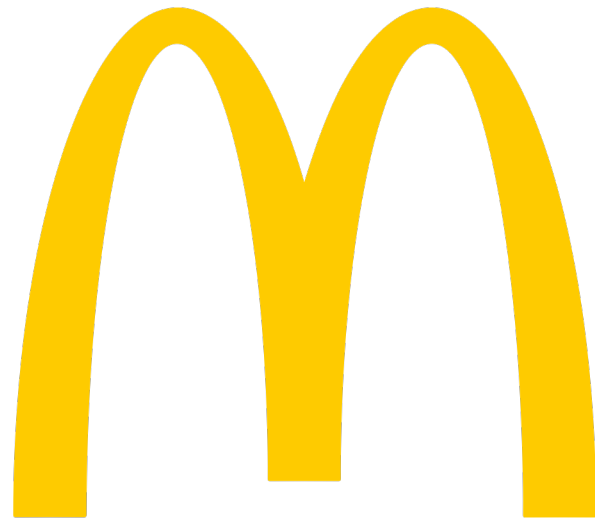
McDonald's must urgently innovate to increase appeal and drive sales growth amid declining sales and health-conscious market trends.

Solution:

McDonald's should promote healthier food options by substituting ingredients and cooking styles, while reducing unhealthy and inefficient menu items.



Q&A Time



Appendix

SWOT ANALYSIS



STRENGTHS

- McDonald's stopped selling chicken or beef contaminated with artificial antibiotics.
- Stop adding high-fructose corn syrup to bread and make it healthier.
- Offering various ordering services for "to-go" customers (drive-through, curbside delivery, walk-in).
- Have huge market share
- Large budget for marketing
- Vertical Integration, decrease the cost of ingredients



WEAKNESSES

- Healthier products lead to higher prices and less appeal to consumers
 - Poor employee service attitudes due to understaffing can negatively affect the customer experience.
- Opportunities:
- The growth of the global fast food market brings growth opportunities for McDonald's
 - Young people's preference for fast food can provide McDonald's with a sales strategy that favors young people



OPPORTUNITIES

- The growth of the global fast food market brings growth opportunities for McDonald's
- Young people's preference for fast food can provide McDonald's with a sales strategy that favors young people
- Customer preferences for healthier foods could help McDonald's consider a shift toward health



THREATS

- In the increasingly fierce fast food market, other competitors pose a big threat to McDonald's
- The fast-casual industry's growth poses a threat as it attracts customers looking for healthier, higher-quality dining options.

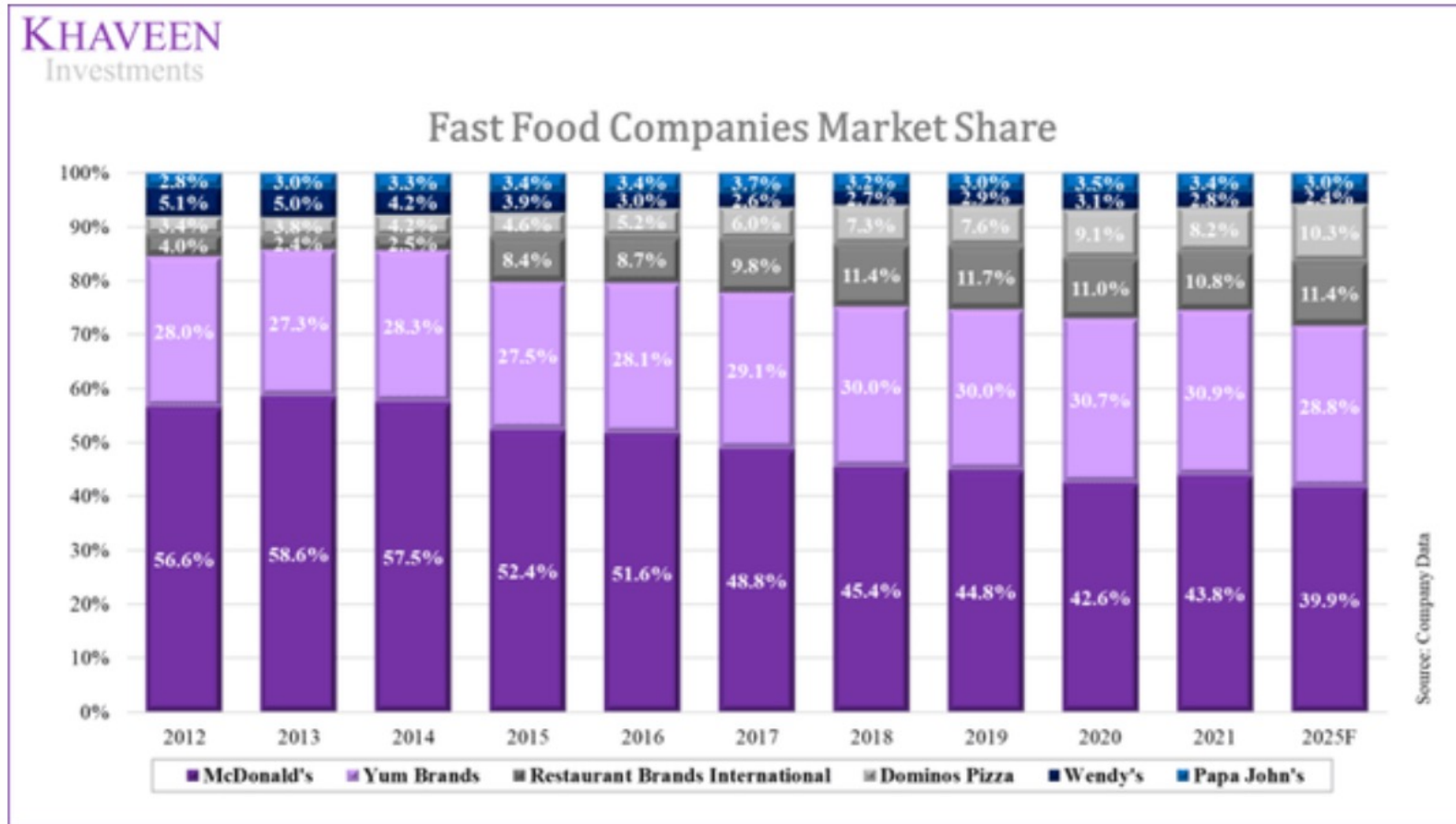
Social Factors:

- **Changing family demographics:** Older consumers (51 to 69 years of age) now prefer to cook their own meals at home rather than eat out, suggesting that visits can be made without too much concern for Older consumers' preferences
- **Cultural trends:** Millennials prefer to eat out rather than at home, and they prefer quick-service, deli, and pizza joints over traditional casual and high-end dining.
- **Attitude changes and lifestyles:** With more than a third of the world's population obese and overweight, healthy food options are imperative
- **Marketing to children:** Preventing childhood obesity is also important, and McDonald's added apples instead of French fries to reduce calories in order to meet parents' concerns about healthier children's meals

Economic Factors:

- **Employment or unemployment rates:** In 2019, the text states that the United States had the lowest unemployment rate in 50 years. This indicates a strong job market, which can positively impact consumer spending and the overall economy.

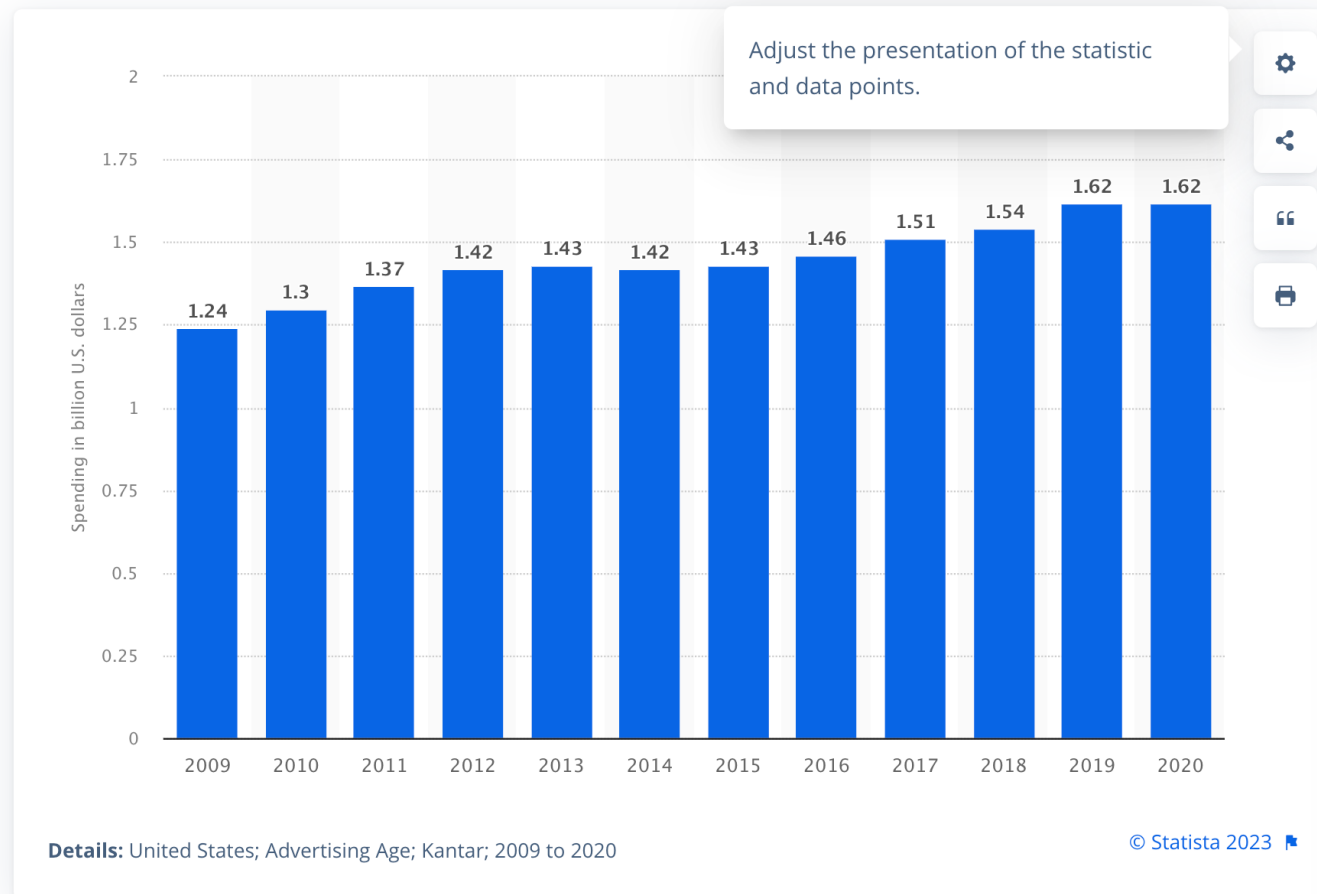
Stagnant **Market** Share as Competition Heats Up



Company Data, Khaveen Investments

McDonald's Corporation advertising spending in the United States from 2009 to 2020

(in billion U.S. dollars)



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DETAILS

FAQ

Sources

Advertising Age; Kantar

Survey by

Advertising Age; Kantar

Survey name

Leading National Advertisers

Published by

Advertising Age

Source link

Advertising Age July 12, 2021, page 15

Release date

July 2021

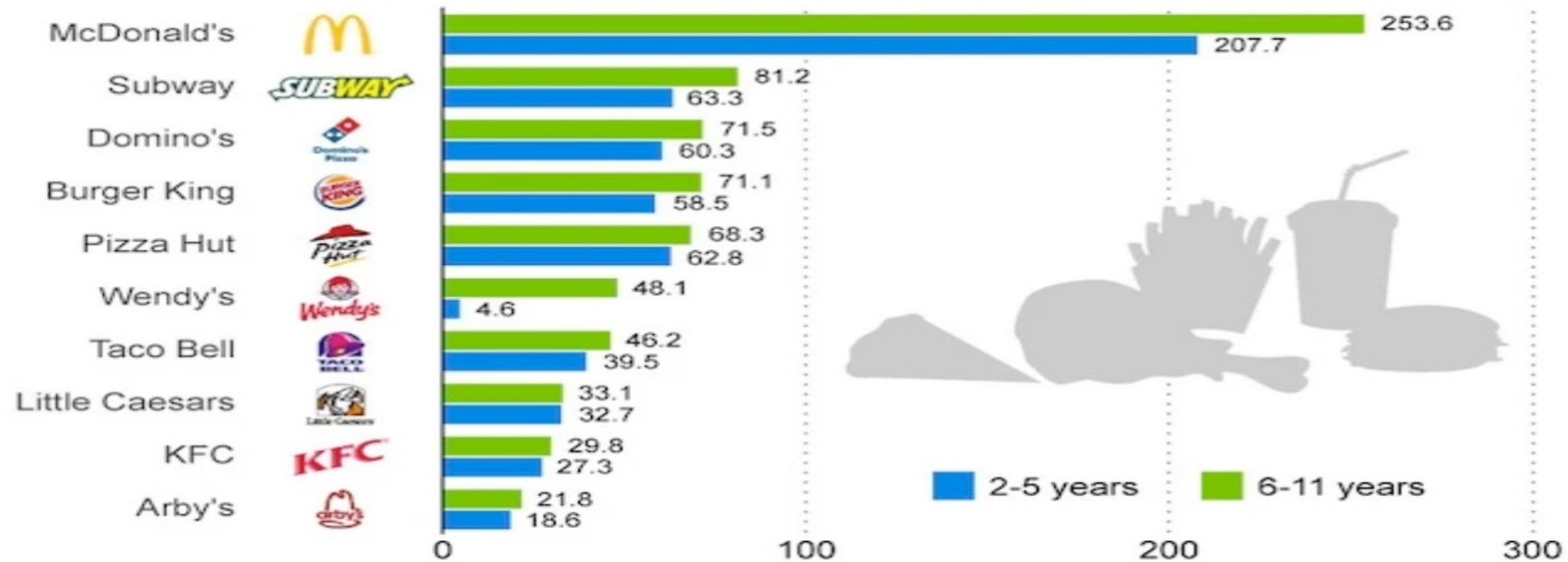
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American kids see more than 250 McDonald's ads per year.

U.S. Kids Watch Hundreds of Fast Food Ads Per Year

Fast food brands most advertised to U.S. children aged 2-11 (average # of ads viewed in 2012)



McDonald's Operating Expenses 2010-2023 | MCD





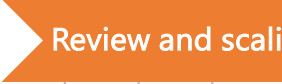
[Prices](#)[Financials](#)[Revenue & Profit](#)[Assets & Liabilities](#)[Margins](#)[Price Ratios](#)[Other Ratios](#)[Other Metrics](#)[Revenue](#)[Gross Profit](#)[Operating Income](#)[EBITDA](#)[Net Income](#)[EPS](#)[Shares Outstanding](#)

McDonald's annual/quarterly operating expenses history and growth rate from 2010 to 2023. Operating expenses can be defined as the sum of all operating expenses for the given industry.

- McDonald's operating expenses for the quarter ending March 31, 2023 were **\$3.365B**, a **0.37% increase** year-over-year.
- McDonald's operating expenses for the twelve months ending March 31, 2023 were **\$13.824B**, a **3.34% increase** year-over-year.
- McDonald's annual operating expenses for 2022 were **\$13.812B**, a **7.34% increase** from 2021.
- McDonald's annual operating expenses for 2021 were **\$12.867B**, a **8.27% increase** from 2020.
- McDonald's annual operating expenses for 2020 were **\$11.884B**, a **3.34% decline** from 2019.



1.Menu modification 2. Partnership and negotiat 3.Experimentation 4.Marketing and laun 5.Review and scaling.

Action	1. Menu modification <ul style="list-style-type: none"> - Collaborate with nutritionists and culinary consultants. - Remove unhealthy items - Develop new healthy items 	2. Partnership and negotiations. Contact with suppliers for healthy food ingredient; select influencers in food/fitness sector; Form marketing team; recruit documentary production crew	3.Experimentation <ul style="list-style-type: none"> - New menu trail at 5% of randomly selected US restaurants. - Regularly monitor customer feedback, sales data. - Make improvements based on customer preferences and demand.. 	4.Marketing and launch <ul style="list-style-type: none"> - Produce and launch documentary on Youtube. Influencers post about the new menu, targeting 30M impression in 1 year - Sales team launch ads and discount info on media platforms. Assess conversion statistics. - Roll out the new menu to the entire country. 	<ul style="list-style-type: none"> - Review the performance of the new menu and make adjustments based on market response. - Hold charity events and healthy contests in the future after brand image reshapes 	
Cost / Revenues	\$24,000	\$11,200	\$691,800	\$13.47M	Variable based on the scale of operation	Total:\$14.19M
Project Plan	Menu modification 					

Phase1:

Nutritionist hourly wage: $\$30 * 8\text{hours} * 5\text{days} * 4\text{wk} * 1\text{mo} * 2\text{ppl} = \9600 USD

Culinary consultant: $\$90 * 8\text{hrs} * 5\text{days} * 4\text{wk} * 1\text{mo} = \$14,400\text{USD}$

Total: \$24,000

Phase2:

Human resource manager: $\$70/\text{HR} * 8\text{hr} * 5\text{d} * 4\text{wk} * 1\text{-mo} = \$11,200$

Phase 3: Experimentation stage:

Cost of changing items:

$13,513 * 5\% = 675$

$675 * \$1000 = \$675,000$

(by educational guess, cost per restaurant is \$1000)

Marketing analyst: $35\text{USD} * 8\text{hours} * 5\text{days} * 4\text{wk} * 3\text{mo} = \$16,800$

Total: $675000 + 16800 = \$691,800$

Phase 4

Influencer posts: (target: 30M impressions in year 1)

Industry standard: \$100 per 10,000 followers

$30\text{M} * 100 / 10000 = \300k

(Number of influencers varies based on the number of followers of each influencer selected.)

Marketing professional: $35\text{USD} * 8\text{hours} * 5\text{days} * 4\text{wk} * 7\text{mo} * 5\text{ppl} = \$84,000$

$13,000 * \$1000 = 13\text{M}$

Social media ads:

Facebook: 1500/mo

Twitter: 1500/mo

INS: 1500/mo

Tiktok: 2500/mo

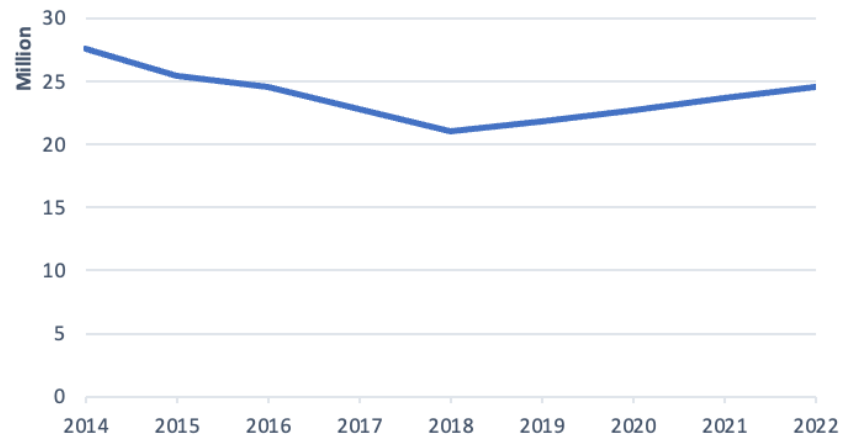
Youtube: 1500/mo

Total: $8500/\text{mo} * 7\text{mo} = \$59,500$

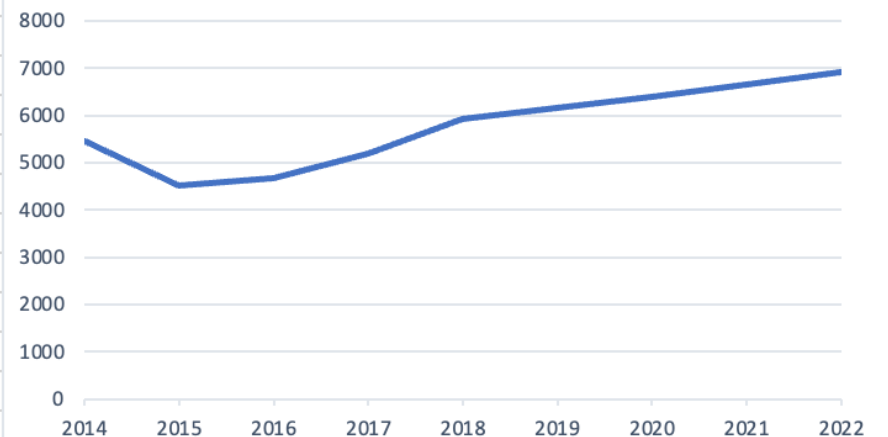
Short documentary(30min): 1000USD per finished minutes: 30k

Total: \$13.47M

McDinald's sales



McDonald's Revenue



Sales	2014	2015	2016	2017	2018	2019	2020	2021	2022
	27567	25413	24622	22820	21025	21866	22740.64	23650.2656	24596.2762
Revenue	2014	2015	2016	2017	2018	2019	2020	2021	2022
	5465	4529	4687	5192	5924	6160.96	6407.3984	6663.69434	6930.24211



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