



McDonald's Corporation (Condensed)

The bell rings and the Vehicle button lights up. "Welcome to McDonald's! May I take your order please?" Through the sounds of a growling muffler and a blaring radio, a male voice responds, "Yes. Twobigmacsaquarterwithcheesetwolargefries . . . alargecokeandalargerootbeer." My fingers search desperately for the correct buttons on the order register as I struggle to remember and decipher the order. "Would you like some dessert with dinner?" "No thanks, that's it." Torn between the urge to look up into the microphone and the necessity of looking down at the register display, I fumble with the Speak switch, read back the order at a snail's pace, get confirmation, and read off the total. "That'll be \$5.72. Please drive around to the window." Oh yes, I'm supposed to pour drinks. I reach awkwardly for the drink cups, scoop up too much ice and have to dump the extra out, read each label on the drink machine until I see Coke, and press the button marked Large. The bell has already rung again. "Welcome to McDonald's!"

After an hour, I can reach for the right register key most of the time and know, for example, that root beer caps should be creased to differentiate them from Coke caps on orders that contain both. As I was relieved by Sandy, I watched her start to pour two drinks before the order was completed ("God gave you two hands. Use them!" the store manager had said). She upgraded fries to large fries and read the whole order back in a flash. She capped the drinks, put them on the assembly counter, helped Betsy check another order, and said again, "Welcome to McDonald's!"¹

The McDonald's production process, from frozen meat patties coming in the rear door to hot meals going out the front, was geared to providing a uniformly high-quality, quickly served meal in clean, pleasant surroundings.

The McDonald's Corporation

*After World War II, Richard and Maurice McDonald were having trouble staffing their San Bernardino, California, carhop restaurant; there was the usual parade of drunks and drifters. "We said," Dick McDonald recalls, "let's get rid of it all. Out went dishes, glasses and silverware. Out went service, the dishwashers and the long menu. We decided to serve just hamburgers, drinks, and french fries on paper plates. Everything prepared in advance, everything uniform. All geared to heavy volume in a short amount of time."*²

¹Casewriter's experience at the Hillybourne McDonald's drive-thru window.

²*Forbes*, January 15, 1973.

Research Associate David C. Rikert prepared this case under the supervision of Professor W. Earl Sasser, Jr. as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. The cooperation of McDonald's Corporation and of the Hillybourne store manager and personnel is gratefully acknowledged.

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Ray Kroc, then 52 and a milk-shake machine salesman, met the McDonald brothers in 1954. "I was amazed," Kroc remembered, "this little drive-in having people standing in line. The volume was incredible." Kroc proposed a deal with the brothers to sell franchises, which was accepted, and the spectacular story of the Golden Arches had begun.

McDonald's has dominated the hamburger fast-food industry, with a 1979 market share of 35% that dwarfed Burger King's 11% and Wendy's 8%. "It's not that we're so smart," said Chairman Fred Turner. "It's that this business takes a lot of attention to detail."³ That attention has fueled an average annual revenues growth through the 1970s of 29% in systemwide sales and 26% in corporate revenues. This growth has resulted from increasing the number of units (at an average annual rate of 15%), extending store hours to include breakfast, increasing check size with an expanding menu, and adding new services such as the Drive-Thru window. By June 1980 there were 5,951 McDonald's restaurants worldwide, with 4,998 in the United States. Of these 1,292 were company-owned and operated (McOpCo stores), and the remainder were licensee-operated (with the real estate leased from McDonald's at a third of the sites). In 1979 systemwide sales totaled \$5.4 billion, while corporate revenues were \$1.9 billion, and net income was \$189 million (77% and 17%, respectively, from company-owned store operations). The average annual sales of restaurants open 13 months or more reached \$1 million, with 57 restaurants exceeding \$2 million and one restaurant exceeding \$3 million. New restaurants cost an average of \$722,000. Systemwide advertising expenditures totaled \$261 million.

Corporate headquarters were located in Oak Brook, Illinois. Within the United States, operations were divided into five zones and broken down further into 24 regions:

Each region is an individual profit center [and] is headed by a regional manager. Among the regional staff are the field consultants, who serve as the direct link between the corporation and its franchised restaurants and who work with licensees to assist them in operating their restaurants in accordance with McDonald's tradition of Q.S.C.&V., our motto for Quality, Service, Cleanliness, and Value, . . . and area supervisors, our employees who assist the managers of company-owned stores in the operations area and real estate, marketing, construction, purchasing, training, personnel, and accounting specialists.⁴

The Hillybourne Store

Hillybourne (a disguised location) was a New England college town with a population of about 30,000. The McDonald's store was located on heavily commercialized Maple Street, about one mile south of an interstate highway intersection and one-half mile north of the town center. It sat between a Kentucky Fried Chicken restaurant and a gas station and across the street from a shopping plaza. Toward the interstate, Maple Street was lined with several restaurants including a Burger King, several car dealers and gas stations, and a dozen small businesses. The central business district adjacent to the college contained public buildings, theaters, department stores, banks, and several restaurants.

The Hillybourne McDonald's (a McOpCo store) was open from 7:00 a.m. to midnight, 363 days a year. Daily volume peaked at lunch (with 15% of daily sales between noon and 1:00 p.m.), while weekly volume peaked on Friday (with 18% of weekly sales). The store's annual volume totaled about \$1.1 million in 1980. The average check was \$2.24 in June 1980. The store had 61 parking spaces and 106 dining seats inside. Further details on the store are presented in **Exhibit 1**

³Dun's Review, December 1977.

⁴1980 Annual Meeting Highlights, McDonald's Corporation. Excerpts from comments by Frank R. Phalen, executive vice president.

(menu and product mix), **Exhibit 2** (weekly and daily distribution of sales), and **Exhibit 3** (June 1980 operating results).

Each McDonald's store was unique in the demand pattern that it faced, the local labor pool from which it drew, and the decor of its dining room. (McDonald's corporate policy, however, set standards ranging from landscaping to not placing public phones in the immediate area.) Thus, the Hillybourne store had a sharp peak from noon to 1:00 p.m., while another store might have three steady hours at lunchtime; the Hillybourne store employed mostly high school and college-aged workers, while another store might employ older women; and the Hillybourne store dining room featured a central, ski-lodge fireplace, while another might feature an airplane with seating arranged along the fuselage.

Store Manager Ted Leone had worked for McDonald's for two years during college and had joined the company as a management trainee upon his graduation in 1973. In the spring of 1980, with two years of experience as store manager, Leone had been assigned to the Hillybourne store. He noted:

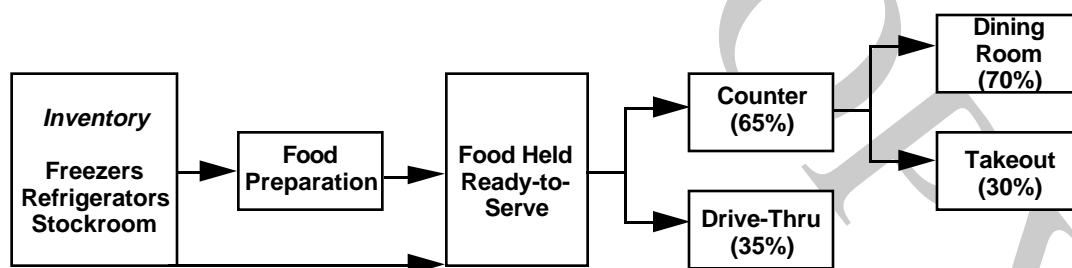
We have a good mix of business—a lot from the interstate, so Friday and Sunday nights are busy, a good coffee trade in the morning as people go to work, a sharp peak at noon as workers and shoppers come for lunch, and a lot of kids on school holidays. In my last store, the town had a strong family structure—kids said, "Yes sir, No sir," and they all went to college. I often knew their parents, brothers, and sisters. We built a real team. I haven't been here in Hillybourne long enough to build these community ties.

Overview of Store Operations

Customer Service

Customers entered the Hillybourne store lobby through doors on either side of the building. **Figure A** shows the food flow through the store. The long service counter had five cash registers (called windows) spaced along it and the lighted menu board above it.

Figure A Food Flow



"May I help someone?" With a smile, the counterperson greeted the customer, accepted the order, and typically used a suggestive sellup to add a missing item such as dessert or to upgrade a regular size to large. Punching the order into the register, which had a labeled key and lighted display for each item, the counterperson used this display to confirm, assemble, and check the order. (Thus, if a hamburger was ordered, the "HAMB" key was pressed and a "1" would light up beside it.)

The order was assembled by collecting the food from the appropriate machines and bins in the sequence below:

1. Cold drinks—Machine-portioned soft drinks were poured and capped (7-12 seconds); employee-portioned shakes were poured and capped (5-7 seconds); milk was picked up from an iced tray.
2. Hot drinks—Employees poured coffee and tea, and a machine dispensed hot chocolate. Each took about 5 seconds to pour and cap.
3. Sandwiches—Boxed and wrapped sandwiches were selected from a warming bin.
4. Dessert—Pies and cookies were selected from racks; ice cream desserts were poured from a spout (8-20 seconds).
5. Fries—Bags of fries were selected from the fry bin (or bagged during slow periods).

When the order had been assembled and bagged or placed on a tray, the customer was asked for payment and given change. The transaction ended with a "Thank you, come again!"

As the volume increased, more windows were opened and one or more backers were assigned. A *backer* was an expeditor who helped assemble orders, often starting assembly before the customer had finished ordering. Working behind the counter demanded teamwork and cooperation for, as Leone noted, "Five to eight people can also spend their time tripping over each other and mixing the orders up." The Hillybourne store strove to meet a standard of keeping a customer waiting less than one minute in line and less than 30 seconds at the counter. (These standards, 50% faster than corporate standards, were applicable to stores in the Hillybourne area.) During the first six months of 1980, the total line and counter time at the Hillybourne store averaged two minutes and three seconds (as measured by the area supervisor during inspection visits; see **Exhibit 4** for the store visitation report form).

At the Drive-Thru window, the order was taken as described in the case introduction. In the Hillybourne region, only one check was allowed per car. As each order was completed, it was recorded on a TV screen in the Drive-Thru work area (and on a second screen over the sandwich bin). The list on the screen became the visual record used to assemble the order and, as each car reached the "pad" outside the window, to request payment. As at the counter, presentation of the order and a "Thank you, come again!" completed the transaction.

As Drive-Thru business increased, the three tasks (order taking, order assembly, and cash receipt/order presentation) were divided among two and then three people, with a backer also available to help. Again, teamwork was important. Area standards allowed 30 seconds on the pad per car.

Special orders (such as a plain hamburger or a filet without tartar sauce), called "grills," were noted on a slip of paper by the order-taker and handed to the grill workers. Since a grill always entailed a wait (until the next batch of that sandwich came up), a counter customer would be asked to step aside (with his or her order stored in the register for retrieval when the order was ready). A Drive-Thru customer would be asked to pull up to a special parking space to wait, and when ready, the order was hand-carried out to the car by an employee. These procedures were also followed when a regular sandwich was not ready.

Sandwich Production

The Hillybourne McDonald's menu listed six standard sandwiches, which were produced from three preportioned frozen products, as shown in **Figure B**.⁵ Sandwiches were prepared in batches upon order from a person up front as shown in **Figure C**. The specific composition of each sandwich and a diagram of the building pattern are shown in **Exhibit 5**, and a detailed flow for the hamburger/cheeseburger is shown in **Exhibit 6**.

Figure B McDonald's Sandwiches

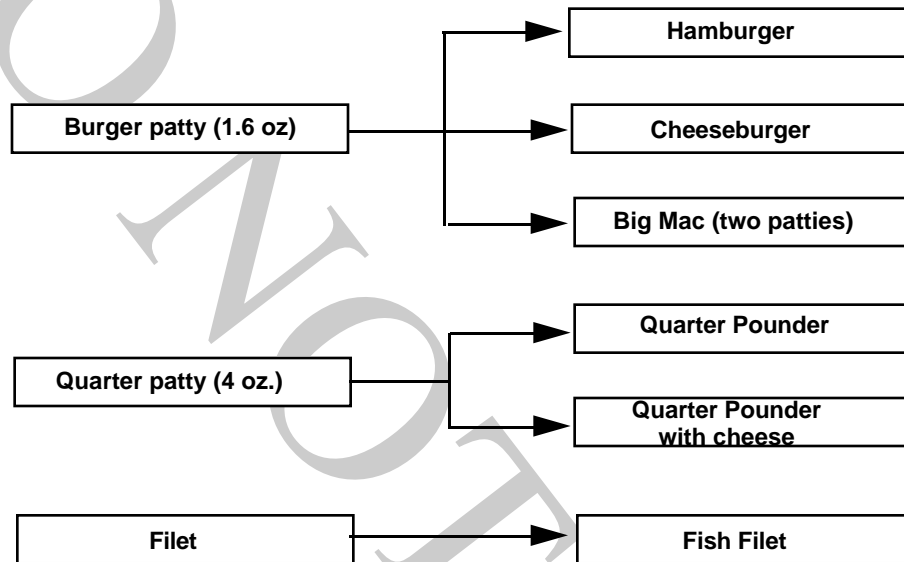
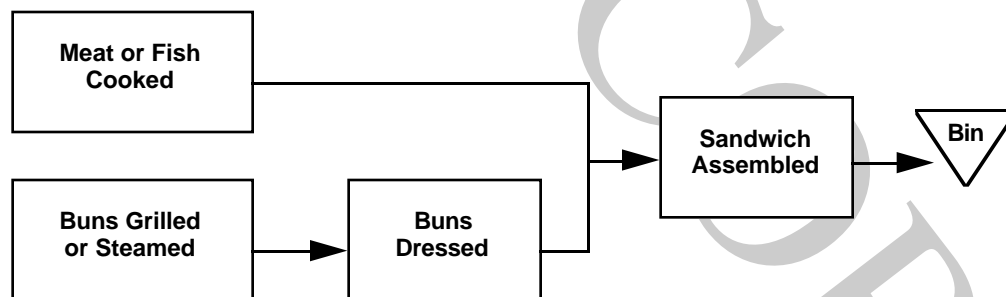


Figure C Sandwich Preparation



"Six burgers and three Macs, please." "Thank you." The grill person took 12 hamburger patties from the small freezer by the grill and laid them quickly onto the grill in two rows of six. The grill held up to eight rows of six patties, although individual batches did not exceed 12 and one grill person generally did not have more than 24 cooking at one time. Quarter pounders were cooked on a separate, higher temperature grill that held up to four rows of five patties each, with batches not exceeding 10. Each patty was seared (pressed hard into the grill with a flat implement, turned individually, and pulled (removed) in pairs at standard times signaled by a light and buzzer system,

⁵During the summer of 1980, the area was considering the introduction of the McChicken and chopped beefsteak sandwiches. It was anticipated that the chicken filet would be fried in a fryer adjacent to the fish station and that the chopped beefsteak portion would be grilled on a third grill to be located beside the Quarter grill.

as detailed in **Figure D**. After the patties were removed, the grill had to be scraped clean with a heavy scraper, which took about 15 seconds.

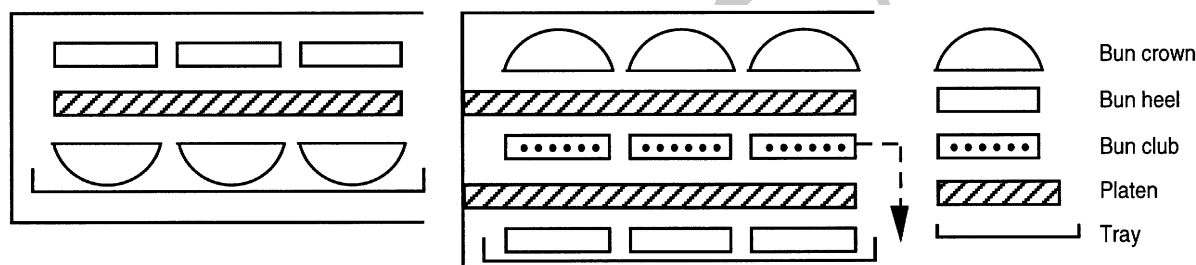
Figure D Elapsed Cooking Time (in seconds)

	Burgers	Quarters
Start	0 sec.	0 sec.
Sear	20	20
Turn	60	150
Pull	100	270 (4 1/2 minutes)

Meat sandwich buns were caramelized on their inside surfaces by placing them in contact with extremely hot platens for 55 seconds (see **Figure E**). The Hillybourne store had two burger caramelizers, one Mac caramelizer, and one Quarter Pounder bun caramelizer. For a given batch, half the bun was caramelized first and, while it was being dressed, the other half was caramelized. Handling was minimized by placing the first halves on a tray, where they remained through dressing and assembly, and by moving the second halves on a smooth paddle from which the entire batch was slid at once. Batch sizes were set by the size of the trays: 12 burgers, 6 Macs, and 10 Quarters.

The sandwich dressings were applied at the dressing table. A pull of a lever dispensed mustard, ketchup, and Mac Sauce in premeasured amounts from containers, while pickles, onions, lettuce, and cheese were applied by hand. The fraction of the batch that would be cheeseburgers was determined by a person up front in response to the call, "Cheese on six burgers, please," from a grill team member. "Three, please," "Thank you." And three burgers in the batch received a slice of cheese. When the sandwiches were dressed, the tray was moved to the grill and hooked on its edge. The patties were removed from the grill and placed on buns in pairs, the final bun halves were slid on top (as a unit), and the completed sandwiches were placed on top of the bin. "Burgers up, wrap please."

Figure E Bun Caramelizing Process



"Four filets please." "Thank you." The frozen fish filet portions were placed in a basket that held up to 10 portions and deep-fat fried for 3 1/2 minutes in one of two vats. As with burgers, a light and buzzer system signaled the completion of cooking. Filet buns were steamed for 90 seconds in one of two steamers, each of which held up to six complete buns at a time. The crowns were dressed with a premeasured amount of tartar sauce and a piece of cheese, the filet was positioned, the heel was added to complete the sandwich, and the tray was passed up front: "Filet up, wrap please." "Thank you."

Grill orders, noted on a slip of paper by the counter or Drive-Thru worker and handed back to the grill workers, were always filled on the first tray of that product, even if that meant discarding a bun. The slip was tucked under the bun crown (under the heel for a Big Mac) to identify it through dressing and wrapping (see **Figure F**).

Figure F Grill Slip for a Hamburger with No Onions

<input checked="" type="checkbox"/>	K	M	Ø	Pi	DBL	1/4 lb	CB	HB
<input type="checkbox"/>	K	TS	CH	PL	FILET			
<input type="checkbox"/>	S	L	O	Pi	CH	BIG MAC		

One person operated the grill area in slow periods, and as many as five workers were needed in busy periods as the task became segmented (burger grill, Quarter grill, buns, dressing, filet). Teamwork was important since the crew worked in a small space and could easily assist each other (for example, the filet station worker could turn around and help with the dressing).

Fry and Pie Production

Frozen french fries were placed in wire baskets and stored on a rack to thaw for up to two hours before use.⁶ The potatoes were fried in one of three vats for two minutes and five seconds of cooking, removal was signaled by a beeper. After being drained, the fries were emptied into a hopper warmed by heat lamps and stored for up to seven minutes. Using a special scoop, a worker bagged fries to order in slow times and for storage on a heated, 20-serving carousel in busy periods. A grill person or floater handled the fry station when the sales volume was under \$345 per hour. A specifically assigned worker handled it at busier times.

The apple and cherry pies were fried in one of two vats for six minutes in batches of up to 10. When finished, they were boxed and held for up to 90 minutes in a warming rack up front (the discard time was written on the box). The fish station operator produced the pies.

The Bin

Acting as the interface between the production personnel in the back, who could not see the bin or hear orders being given, and the workers at the counter and Drive-Thru, who could not see the production area, the employee on the bin managed the flow of products into the sandwich holding bin, calling for production as needed, wrapping the sandwiches as they were passed up, and keeping the bin stock organized and fresh. To ensure that the customer received only hot, fresh products, sandwiches were held for no longer than 10 minutes after wrapping. The time was checked by placing plastic numerals with each batch as it came up: for example, a "6" meant to discard at half past the current hour. During slow periods, counterpeople or a floating manager called orders back as needed to maintain minimal stocking. When sales were above approximately \$240 per hour, an employee was specifically assigned to the bin. Lindy Boyd, who ran the bin at lunch, described her job:

I've worked here for a couple of years now and have a pretty good sense of when our peaks occur and how big they will be. But you always get the surprises, too, as happened today when two customers in a row each ordered five Big Macs and cleaned me out. I'll build up the bin before the peak starts, and try to run it as smoothly as I can because I know it produces a lot of tension on the grill if I order

⁶The contents of a six-pound box of fries, approximately 26 regular servings, were placed in four baskets during busy periods or six baskets during slow periods.

four burgers one minute and twelve the next. We usually run Quarters on the turn,⁷ and can do that with burgers too—the old "less product more often" idea so we have more flexibility. I've seen charts that tell how many of each sandwich to stock at each volume level but, in the end, I have to watch what is selling and observe the incoming traffic to judge how much to have in the bin.⁸ I'd rather have too much than keep a customer waiting. It also makes a difference to me who's on the grill, and I'll stock higher with new people or a slow team there. I like this job—there's a lot of hustle.

Store manager Leone noted that he could predict sales volume pretty accurately:

I'll go back and look at the past few weeks' data for the day of the week, note any special events, the time of year, and the weather—and I can usually be within \$10-\$20 for an hour. In theory, we stock the bin to about 50%-75% of what we expect to sell in the next 10-minute period. In practice, we can judge pretty well by experience.

(This case does not describe the breakfast operation from 7:00 to 10:30 a.m., when eggs and pancakes were cooked on the grill and sausages and potatoes were fried. Breakfast items accounted for about 9% of sales.)

Support Activities

Store opening and closing each took about an hour—to set up machines or clean them, to restock, to count change and check for cash shortages (and overages), and so forth. During the night, a custodian thoroughly cleaned the store.

The Hillybourne store had four freezers: a large walk-in at the back of the lot, a medium-sized reach-in in the kitchen, and two small ones by the grill and fish station. Refrigerated items such as milk, eggs, dressings, and juice were stored in the walk-in refrigerator. Dry goods such as paperware were stored in the basement. The store received one delivery per week from local suppliers of milk and buns. All food arrived ready to use.

During slower periods, workers moved stock and tackled various cleaning chores. In addition, workers periodically patrolled the parking lot, lobby, and rest rooms to empty trash bags and to ensure that each area was clean.

The Crew

In June 1980 the Hillybourne store employed 45 hourly crew members. All were young, most under 20, some 20-25, and a couple over 30 years old, and most were women. The full-time day crew members tended to be older, and to show significantly less turnover, than the part-timers. Leone noted:

Ninety percent of the problems in dealing with kids come from lack of communication, especially when they don't open up to the manager. I keep telling them, "You gotta care." They have to be involved, looking for problems, whether it be the orange soda tank that's empty (you replace it), a customer waiting for a sandwich (you talk to him), or a mess on the floor (you clean it up). Thirty percent of

⁷On the turn means that a new batch was started when the previous batch was turned; on the pull means that a new batch was started when the previous batch was removed.

⁸Boyd's rule of thumb for a \$600-\$700 hour was 20-24 hamburgers, 20-24 cheeseburgers, 9 Big Macs, 3-4 Quarters, 3-4 Quarters with cheese, and 6-7 filets.

this is training, but the rest is pride. I like to give the kids responsibility, to keep them busy. There is a lot of peer pressure among them, and I try to keep it positive, toward hustling, and not negative, toward loafing. I think managing is the ability to manipulate what you have, to look at people and see what they can do well. For example, is she a people person or a production type? And it's a matter of constantly, constantly training.

Crew selection, hiring, and scheduling were the direct responsibility of first assistant manager, Steve Sangree, although the store manager also interviewed most candidates. The store advertised for help through newspapers, on-site posters ("Smiling Faces Wanted"), and local high school and college job offices. Employees also referred friends. (See **Exhibit 7** for a summary of staffing levels.) Sangree noted:

Kids tend to be enthusiastic when they come for a job interview and will say that they'll work any hours. I try to temper that and won't, for example, encourage them to work both Friday and Saturday nights because I'd like them to start with a sustainable pace that they'll maintain over the longer run. I make up the schedule every Wednesday morning for the following Sunday through Saturday. The kids know they have to let me know by then if they have any conflicts or want some time off. At first, I limited the number who could take the weekend off, but now I hire others if I need hours. Then, when I have a surplus, I weed out the deadwood.

McDonald's introduced a new crew pay system in early 1980. Called the Crew Bonus System (CBS), the plan provided for crew members to receive minimum wage plus a thrice yearly (January, May, and September) bonus check determined by multiplying actual hours worked during the bonus period by a bonus factor (¢/hour) keyed to performance and seniority (see **Table A**). A crew member had to be active through the end of the period and had to begin work at least 16 calendar days before the end of the period to be eligible. Exceptions to this minimum base were threefold: (1) a "grandfather" clause that set pay rate at plan implementation as the base rate for people working at that time, (2) the assumption of additional responsibilities by a worker (such as the daily fry and shake yield calculations), or (3) special competitive pressures in a local market that demanded higher pay. All exceptions required the approval of the operations manager.

Table A Crew Bonus System Chart (¢ per hour)

Performance Rating	Years of Service									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Outstanding	15	20	25	30	35	40	45	50	55	60
Excellent	10	15	20	25	30	35	40	45	50	55
Good	5	10	15	20	25	30	35	40	45	50
Needs improvement	0	0	0	0	0	0	0	0	0	0
Unsatisfactory	0	0	0	0	0	0	0	0	0	0

Performance appraisals were conducted at the end of each bonus period, with an abbreviated version held halfway through the period. "A person has to know where he or she stands in your eyes," Leone explained. The appraisal focused on a written assessment of the worker's versatility, availability, dependability, appearance, and overall performance. The assessment was discussed in a meeting of the manager and crew member, and signed by both.

Employees punched a computerized time clock that relayed payroll information to the Oak Brook corporate headquarters. Workers had to be assigned for a minimum of three hours and were entitled to a half-hour unpaid break during a six- to eight-hour shift. The store had a crew break room in the basement which, Leone noted, "enables the kids to relax more and it keeps off-duty people out of sight—nothing is more frustrating to a waiting customer than to see a uniformed

employee sitting down with a shake and not serving him." Crew members were given a food allowance, nominal 40¢ per hour worked, although Leone's policy was "I'm not real tight about that—if they work hard, they deserve what they want." Employees also received uniforms.

Full-time employees, who worked at least 37¹/₂ hours per week, received medical, dental, and life insurance (80% company paid) after one month of service. After one year, part-time employees received one week of paid vacation, while full-timers received two weeks. After 10 years, full-time employees received an eight-week paid sabbatical.

Training was a constant process. Most training was done on the job, but a series of 15-minute videocassettes and an eight-section training course that Leone had developed were also used.⁹ Managers felt that it took a new person two weeks to get up to speed in most areas and perhaps four on the grill. New employees first worked two shifts with experienced people and then were assigned to positions such as the fish station, the Drive-Thru order taking, or the counter during a slower period. Although people tended to gravitate toward certain positions, Leone referred to everyone as "crew member" and encouraged them to learn several jobs.

Management

The Hillybourne store had five salaried McOpCo managers, a number set by the corporation based on store volume. In addition, Leone had hired two swing managers. Swings were generally college-aged men and women who had performed well as crew members and who were paid on an hourly basis, starting at \$3.90. Managers were responsible for running the shift—often from a floater position from which they could observe and help where necessary—for various "extracurricular" activities such as scheduling and ordering, for customer relations, and for training. "We constantly, constantly train," Leone repeated.

McOpCo managers were hired and promoted by the area operations manager with the approval of the region's director of operations. Candidates interviewed at the store, supervisor, and area levels, and spent five days in an on-the-job evaluation (OJE) working in a store. Approximately 40% of successful candidates had been swing managers. The McOpCo career path progressed from trainee through second assistant manager and first assistant manager to store manager. Typically the two- to three-year process included a basic, intermediate, and advanced operations course (the latter segment at Hamburger University), self-paced workbook study, and increasing responsibility. Managers were paid straight salary, ranging from \$12,500 to \$27,500 and were evaluated on a quarterly basis on pre-established goals negotiated between a manager and his or her supervisor. Raises were granted annually and were closely tied to a manager's performance ranking (for example, "outstanding" meant a 12%-14% raise). One supervisor explained:

The manager and I negotiate his or her (35% of our managers are women) goals for the next time period, and those goals vary from manager to manager. Ultimately, it all boils down to people skills—how well they train and motivate their people—for that is what will increase volume and keep costs down. I can feel a difference from store to store as I walk in, and much of that comes from the manager. The store reflects the manager.

⁹Sections included lot and lobby; buns; grill; dress, pie, filet, fries, stocking, breakfast, windows and customer relations.

Exhibit 1 Menu and Product Mix, June 1980

Category	Price	Percent of Sandwiches
Sandwiches		
Big Mac	\$1.13	18.8%
Quarter Pounder	1.03	5.9
Quarter Pounder with cheese	1.18	8.8
Hamburger	.44	22.0
Cheeseburger	.52	21.7
Happy Meal ^a	1.47	5.4
Fish Filet	.70	15.7
Other	-	<u>1.7</u>
		100.0%
Fries		
Regular	.42	32.1%
Large	.57	<u>25.1</u>
		57.2%
Beverages		
Shakes ^b	.60	19.8%
Soft drinks ^c		
Regular	.42	20.6
Medium	.47	18.2
Large	.57	11.2
Coffee ^d	.33	19.9
Other	-	<u>7.7</u>
		97.4%
Desserts		
Pies	.40	4.1%
Sundaes	.45	5.3
Other	-	<u>1.9</u>
		11.3%
Breakfasts	-	-

Note: Customers 42,645
Number of sandwiches sold 55,703

^aA Happy Meal was packaged in a special box and included a hamburger or cheeseburger, a soft drink, fries, cookies, and a little surprise.

^bVanilla, strawberry, and chocolate shakes.

^cCoke, 7-Up, Tab, orange soda, and root beer.

^dIncluded regular and large coffees.

Exhibit 2 Weekly and Daily Distribution of Sales, June 1980

A. Weekly Sales		B. Daily Sales	
Day	Percent of Week's Sales	For Hour Ending	Percent of Day's Sales
Sunday	13.4%	8:00 a.m.	3.4%
Monday	12.2	9:00	4.1
Tuesday	11.6	10:00	4.0
Wednesday	12.3	11:00	3.9
Thursday	15.5	12:00	7.5
Friday	17.8	1:00 p.m.	14.9
Saturday	<u>17.2</u>	2:00	9.1
	100.0%	3:00	5.0
		4:00	3.7
		5:00	5.5
		6:00	9.1
		7:00	8.4
		8:00	5.6
		9:00	5.3
		10:00	4.6
		11:00	3.4
		12:00	<u>2.5</u>
			100.0%

Exhibit 3 Operating Results, June 1980

Line Item	Percent of Sales
Sales	100.0%
Food	33.4
Paper	<u>4.5</u>
Gross profit	62.1%
Controllable Expenses	
Hourly labor	17.6
Management labor	5.8
Payroll taxes	2.4
Utilities	2.8
Advertising and promotion	5.2
Other	<u>3.1</u>
	37.0%
Profit after controllable expenses	25.1
Noncontrollable expenses	
Rent	9.8
Other, including depreciation	<u>6.8</u>
	16.6%
Store operating income	8.5%

Exhibit 4 Store Visitation Report

Store _____ Completed by _____

Date _____ Time _____ Reviewed with _____ Person in Charge _____

Q.S.C. Grade _____ Customers in Serving Line _____ Customers in Dining Room _____

SERVICE	Points	Store Grade	COMMENTS
1. Management in backup position, following proper procedures, expediting service.	3		
2. Service atmosphere—smiles, hustle, teamwork, neat appearance.	0		
3. Suggestive sell—all crew following area policies and techniques. Describe how you placed your order and what type of suggestive sell technique was used on you.	3		
	5		
	0		
	3		
	6		
4. Greeting, order assembly, presentation, thank-you, and asking for repeat business.	3		
5. Service accuracy—order accurately filled, change accurately made.	3		
6. Amount charged			
Correct amount			
7. Service speed:			
In line 1'30" - 2'00"	2		
In line 1'00" - 1'30"	6		
In line under 1'00"	8		
At counter 1'00"	6		
At counter 45"	8		
At counter 30"	12		
Subtotal 40			
			COMMENTS _____

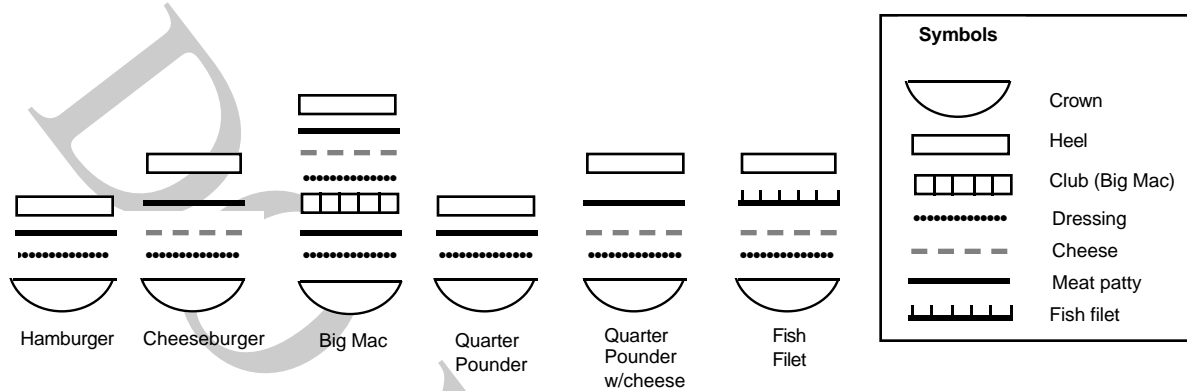
QUALITY SECTION					
	Points	Store Grade		Points	Store Grade
BREAKFAST			HAMBURGERS		
Egg			Quarter		
McMuffin	12		Cheese	10	
Scrambled			Quarter		
Eggs	12		Ham	10	
Hotcakes	12		Big Mac	10	
Danish	6		Filet	10	
Coffee &			Hamburger	10	
Hot Choc.	6		Cheeseburger	10	
Juice	6		Chicken		
Subtotal	30		Sandwich	10	
TOTAL			Steak		
			Sandwich	10	
			Fries	10	
			Soft Drink/		
			Shakes	5	
			Sundaes/		
			Desserts	5	
			Subtotal	30	
			TOTAL		

NOTE: Store not complying with holding procedures—subtract 5 points.

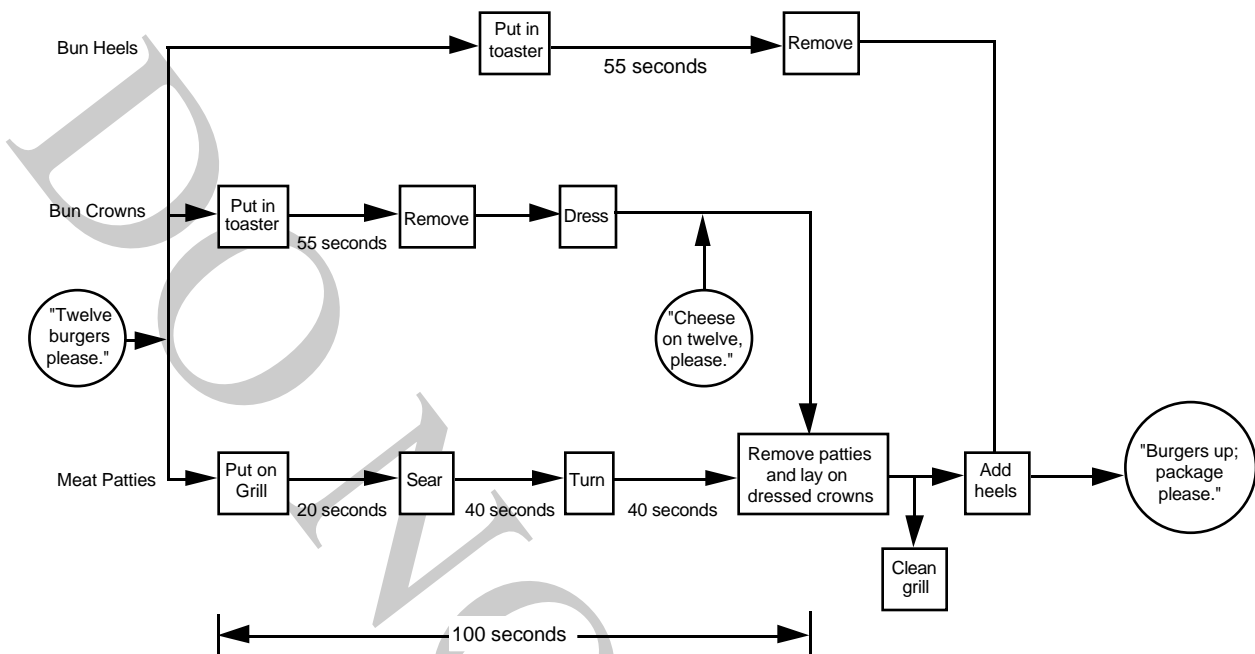
CLEANLINESS, MERCHANDISING, OUTSIDE	Points	Store Grade	CLEANLINESS, MERCHANDISING, INSIDE	Points	Store Grade
1. Neighborhood—free of litter. (1 block in each direction)	1		1. Lobby and dining room floors—chairs, tables, walls and decor—ceiling and air vents—lighting—trash bins.	9	
2. All signage and flag—in good repair, clean, properly lighted according to conditions and properly displayed	1		2. Rest rooms—clean and supplied with tissues, soap, and hand towels or dryer.	6	
3. Landscaping—free of litter and well maintained	1		3. Menu board and P.O.P.—presents unified theme, clean, and in good repair.	1	
4. Painted surfaces—in good condition and clean.	1		4. Customer conveniences—napkin and straw available, dispensers and high chairs clean and in good repair, additional condiments available upon request, breakfast newspaper available.	2	
5. Corral—clean, neat, and gets closed.	1		5. Stations and equipment—orderly and clean, stainless steel clean and bright.	1	
6. Parking lot—free of litter, clean, seal and stripe in good condition, traffic pattern.	1		6. Service, production, and back room—floors, ceiling, walls, lights, air vents—clean, orderly, and in good repair.	1	
7. Waste receptacles—clean, good repair and emptied as needed.	1				
8. Sidewalks—clean, sealed, and free of ice, snow, or hazardous conditions.	1				
9. Windows and doors—glass and all associated areas clean.	2				
Subtotal	10		Subtotal	20	
COMMENTS _____			COMMENTS _____		
_____			_____		
_____			_____		

GENERAL OVERVIEW—COMMENTS

Note: The Store Visitation Report was completed by a supervisor for each of his or her stores. The inspections were made on four unannounced visits per month (typically during breakfast, lunch, dinner, and on a weekend). Leone reported, "We usually score 80-85 (of 100), though sometimes we come out smelling like a rose with one in the 90s. The inspections are strict—a sandwich is either hot or it's cold, for example."

Exhibit 5 Sandwich Composition

Sandwich	Dressings							
	Mustard	Ketchup	Mac Sauce	Tartar Sauce	Pickle	Onions	Lettuce	Cheese
Hamburger	X	X			X	X		
Cheeseburger	X	X			X	X		X
Big Mac			X		X	X	X	X
Quarter Pounder	X	X			X	X		
Quarter Pounder with cheese	X	X			X	X		X
Fish Filet				X				X

Exhibit 6 Production Process for Hamburgers and Cheeseburgers**Exhibit 7** Staffing

	Number of Workers	Grill	Windows	Drive- Thru	Bin	Fry	Floaters ^a	\$/Hour Volume Guidelines
Minimum staffing	4	1	1	1	-	-	1	\$120
	5	1	1	1	-	-	2	150
	6	2	1	1	-	-	2	180
	7	2	2	1	-	-	2	210
	8	2	2	2	1	-	1	240
	9	2	2	2	1	-	2	275
	10	3	3	2	1	-	1	310
	11	3	3	2	1	1	1	345
	12	3	3	3	1	1	1	385
	13	4	3	3	1	1	1	425
	14	4	3	3	1	1	2	475
	15	4	4	3	1	1	2	525
	16	5	4	3	1	1	2	585
Full staffing	17	5	5	3	1	1	2	645

^aFloaters help out; they patrol the lot, lobby, and rest rooms, restock, and cover on breaks.