

McDonald's Corporation

Company Report



2016

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1. Introduction

McDonald's Corporation is a global fast food chain that serves about 69 million customers in more than 100 countries employing about 420,000 people. McDonald's operates two types of restaurants – company-owned and franchised restaurants with about 80% of restaurants belonging to the latter category.¹“Of the 36,258 restaurants in 119 countries at year-end 2014, 29,544 were franchised (including 20,774 franchised to conventional franchisees, 5,228 licensed to developmental licensees and 3,542 licensed to foreign affiliates ("affiliates")—primarily Japan) and 6,714 were operated by the Company”²

McDonald's had a disappointing financial results in 2014 with a sales growth of only 1% and a decline of operating income of 8%³. Steve Eastbrook, McDonald's Chief Brand Officer was promoted as the new CEO and President effective from March 1, 2015 to turn around the business. The list of major changes introduced by Steve Eastbrook include reducing the use of in chicken and massively restructuring the corporation, along with introducing changes in the menu.

The turnaround efforts of the new CEO Steve Eastbrook proved to be effective with the company shares hitting record by the third quarter of 2015. “U.S. restaurants open at least 13 months rose 0.9% in the third quarter—beating analysts' projection for a 0.2% decline and marking the first quarterly increase in that key measure in two years. Same-store sales also rose in all its other regions, and net income jumped 23%”⁴. Currently, McDonald's is striving to strengthen its menu pipeline and localize its menu and marketing efforts.

¹ Annual Report (2014) McDonald's Corporation

² Annual Report (2014) McDonald's Corporation

³ Annual Report (2014) McDonald's Corporation

⁴ Jargon, J. (2015) “McDonald's Shares Hit Record, as Turnaround Shows Progress” *The Wall Street Journal*, Available at: <http://www.wsj.com/articles/mcdonalds-beats-forecasts-1445515829>

2. Business Strategy

McDonald's business strategy utilizes a combination of cost leadership and international market expansion strategies. Franchising and licensing forms of new market entry is utilized within McDonald's business strategy to a great extent.

Moreover, product and service standardization lies in the cornerstone of McDonald's business strategy. McDonald's restaurants offer substantially uniform menu that comprises hamburgers and cheeseburgers, Big Mac, Quarter Pounder with Cheese, Filet-O-Fish, several chicken sandwiches, Chicken McNuggets, wraps, french fries, salads, oatmeal, shakes, McFlurry desserts, sundaes, soft serve cones, pies, soft drinks, coffee, McCafé beverages and other beverages.⁵

It is important to note that along with maintaining product and service standardization, McDonald's takes into account local tastes and preferences, when developing its menu and engaging in marketing efforts.

McDonald's competitive advantage is based on the following points:

1. Cheap prices is McDonald's main competitive advantage. The company is engaged in an extensive utilization of economies of scale to achieve the cost advantage.
2. True to 'fast food' format of its restaurants, McDonald's is famous for the speed of customer service without compromising the quality of the service.
3. Universality of the taste to a great extent represents another base of McDonald's competitive advantage. Big Mac tastes almost all over the world due to the use of the same ingredients in the same quantities and application of the standardized ways of cooking around the globe. Such a consistence in taste has positive implications on consumer loyalty.

It is important to note that McDonald's competitive advantage based on costs can be difficult to sustain in long-term perspective, since new competitors may emerge with access to cheaper resources.

⁵ Annual Report (2014) McDonald's Corporation

3. Leadership and Organizational Structure

McDonald's leadership team is headed by the President and CEO, who is aided by seven executive vice presidents and one senior vice president, each overseeing a specific aspect of the business. Mr. Steve Eastbrook is the President and CEO since early 2015. Eastbrook introduced substantial changes in McDonald's organizational structure in July 1, 2015 in order to improve the efficiency of the global operations.

Figure 1 below illustrates McDonald's organizational structure and the distribution of senior management roles within the company

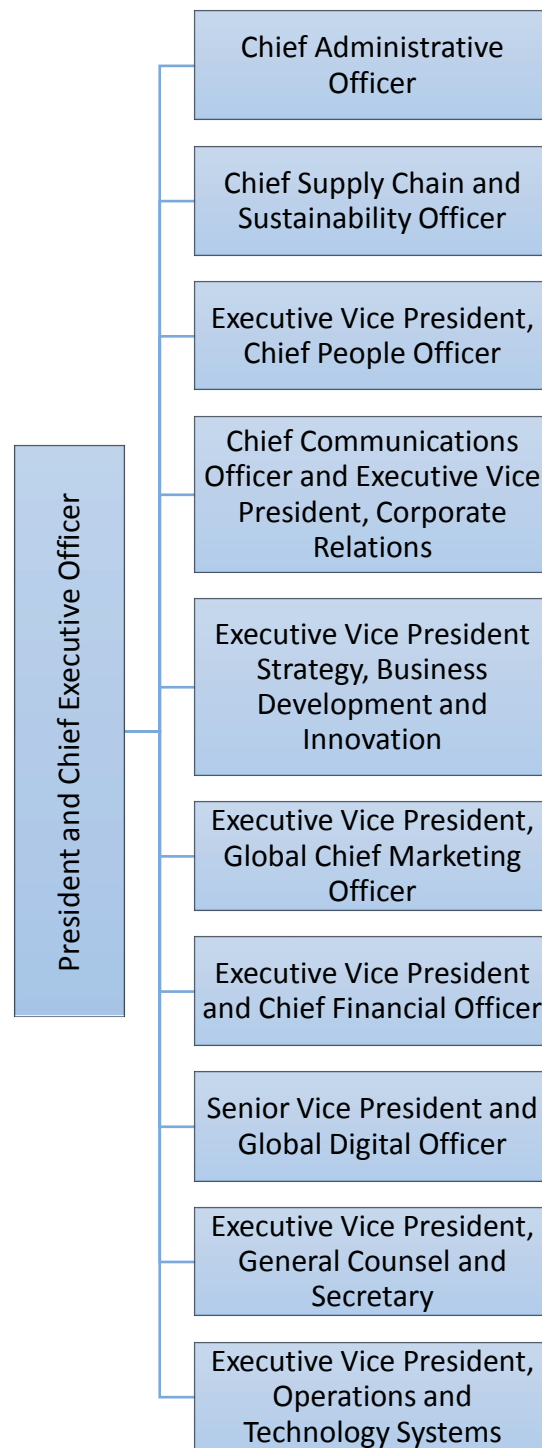


Figure 1 McDonald's leadership team and its organizational structure

Organizational culture of McDonald's can be classified as divisional. McDonald's business operations are divided into the following four divisions according to their geographical location:

1. United States
2. Europe

3. Asia/Pacific, Middle East and Africa ("APMEA")
4. Other countries

Each division above possesses its own departments such as IT, finance, marketing and others. Moreover, the most recent changes in McDonald's organizational structure effective from July 1, 2015 increased the emphasis on the international markets clarifying the roles of executives responsible for growth in international markets. Specifically, as it is illustrated in Figure 2 below, the responsibility for overseeing international operations is distributed among three senior executives at President level.

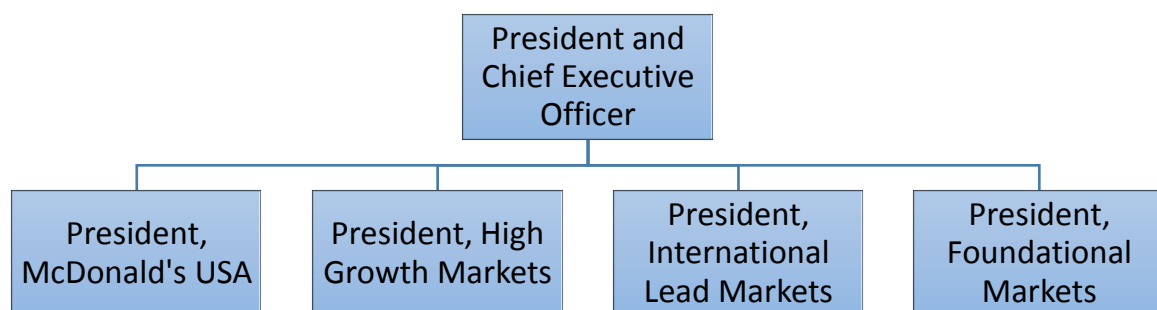


Figure 2 McDonald's leadership structure in international markets⁶

USA is the largest segment for McDonald's and it accounted for more than 40 per cent of the operating income in 2014.⁷

High Growth Markets refer to markets that have relatedly higher potential in terms of restaurant expansion and franchising. High growth markets accounted to about 10 per cent of McDonald's operating income for 2014 and include China, Italy, Poland, Russia, South Korea, Spain, Switzerland and the Netherlands.

International Lead Markets relate to markets that are already established such as Australia, Canada, France, Germany and the U.K. The income generated from international lead markets in 2014 accounted to about 40 per cent of McDonald's total income for the same year.

⁶Leadership (2016) *McDonald's Corporation*, Available at: http://www.aboutmcdonalds.com/mcd/our_company/leadership.html#steve-easterbrook

⁷McDonald's Announces Initial Steps In Turnaround Plan Including Worldwide Business Restructuring And Financial Updates (2015) *McDonald's*, Available at: <http://news.mcdonalds.com/Corporate/news-stories/2013/McDonald-s-Announces-Initial-Steps-In-Turnaround-P>

Foundational Markets refer to “the remaining markets in the McDonald's system, each of which has the potential to operate under a largely franchised model”⁸

4. SWOT Analysis

⁸McDonald's Announces Initial Steps In Turnaround Plan Including Worldwide Business Restructuring And Financial Updates (2015) *McDonald's*, Available at: <http://news.mcdonalds.com/Corporate/news-stories/2013/McDonald-s-Announces-Initial-Steps-In-Turnaround-P>

SWOT is an acronym for strengths, weaknesses, opportunities and threats related to organizations. The following Table 1 illustrates McDonalds SWOT analysis:

<p><i>Strengths</i></p> <ol style="list-style-type: none"> 1. Market leadership in the US 2. Brand value and brand awareness 3. Sustainable business model 4. High level of profitability 5. Global presence 	<p><i>Weaknesses</i></p> <ol style="list-style-type: none"> 1. Unhealthy food on the menu 2. Declining brand image 3. High employee turnover 4. Negative publicity 5. Low differentiation
<p><i>Opportunities</i></p> <ol style="list-style-type: none"> 1. Enhancing focus on nutritional menu 2. Home delivery of meals 3. Product differentiation 4. Improving CSR aspect of the business 5. Increasing the extent of localization in international markets 	<p><i>Threats</i></p> <ol style="list-style-type: none"> 1. Food safety concerns 2. Fast food market saturation in developed countries 3. Lawsuits against the company 4. Currency fluctuations 5. Competition from quality burger chains

Table 1 McDonalds SWOT analysis

4.1 Strengths

1. McDonald's has a market share of about 37.68% in the US and its closest competitor, Starbucks Corporation has a market of only 26.48%⁹. McDonald's generates about 32% of its revenues from the US market. Leadership in the US market can be specified as an immense business strengths taking into account high popularity of the fast food in this particular geographic market segment.

⁹ MCD's Competition by Segment and its Market Share (2016) *CSI Market*, Available at: <http://csimarket.com/stocks/competitionSEG2.php?code=MCD>

2. McDonald's is the world's 6th the most valuable brand with an estimated brand value of USD 92.5 billion.¹⁰ Brand value and brand awareness are proved sources of competitive advantage. Specifically, brand value is an indicator of a high level of consumer loyalty and it offers a wide range of advantages that include negotiating power with customers and suppliers, as well as, global expansion opportunities.
3. The company maintains a business model that can be sustainable for long-term perspective. About 80% of McDonald's restaurants are owned and operated by independent franchisees¹¹. McDonald's Corporation only has to ensure that high standards are adhered to in the preparation and service of foods, along with formulating and applying effective marketing strategy. Moreover, about 20% of McDonald's restaurants in various countries are owned and operated by McDonald's Corporation, thus enabling the company to keep in touch with changes in the consumer behaviour. This pattern of the business model has proved to be highly successful and there are grounds to believe that the model can prove to be sustainable for the long-term perspective.
4. Despite a set of issues the company has to deal with as discussed in below in more details, the company enjoys a high level of profitability. McDonald's earnings per share (ERP) equaled to USD 0.84, USD 1.26 and USD 1.40 for the 1st, 2nd and 3rd quarters of 2015 respectively. Moreover, McDonald's net average profit margin for the last five years equals to 19.59% compared, which is almost two times more than fast food industry's net profit margin of 10.96%.¹² High level of profitability is associated with business strengths in terms of withstanding the periods of economic slowdown and making investments in research and development initiatives.
5. With 36,258 restaurants in 119 countries,¹³ McDonald's has a solid presence in the global marketplace. A stark representation in the global marketplace is a considerable strength of the business and it is one of the significant bases of McDonald's competitive advantage. Unlike businesses in e-commerce and other industries, establishing operations in an international scale is a time-consuming and complex task in catering industry. It

¹⁰ The World's Most Valuable Brands (2015) *Forbes*, Available at: <http://www.forbes.com/companies/mcdonalds/>

¹¹ Annual Report (2014) McDonald's Corporation

¹² McDonald's Profitability Comparisons (2016) *CSI Market*

¹³ Annual Report (2014) McDonald's Corporation

will take considerable amount of time and effort for any competing fast food chain to reach this scale, and this fact is a major point of strengths for McDonald's.

4.2 Weaknesses

1. An abundance of unhealthy food on the menu is the main weakness of the company. As it is illustrated in Figure 3 below, although McDonald's offers a vast range of burgers, the majority of the items in its menu is considered as unhealthy. Increasing media coverage of negative health implications associated with fast food consumption and as a result, increasing consumer awareness about negative effects of fast food on their health is enhancing the potential negative impact of this particular weakness on long-term growth prospects of McDonald's.



Figure 3 McDonald's menu¹⁴

2. High employee turnover is one of the major weaknesses of McDonald's and it is not difficult to see why. A survey conducted by Glassdoor, a popular website for jobs addressed employee satisfaction issues top 10 fast-food chains in the UK, related to culture and values, work-life balance, competency of senior management, compensations and benefits and career opportunities. As it is illustrated in Figure 4 below, survey results indicated that McDonald's scored the lowest among its direct competitors in terms of overall employee satisfaction.

¹⁴ Full Menu Explorer (2016) *McDonald's*, Available at:
http://www.mcdonalds.com/us/en/food/full_menu/full_menu_explorer.html

Rank Company		Employee Satisfaction Rating (rounded to nearest decimal point)
1	Greggs	3.8
2	Pizza Hut UK	3.8
3	Nando's UK	3.6
4	Carluccio's	3.4
5	Starbucks	3.3
6	Whitbread (owner of Costa)	3.3
7	Wagamama	3.3
8	Domino's Pizza UK	3.1
9	Pret A Manger	3.1
10	McDonald's UK	3.1

Figure 4 Major fast food chains employee satisfaction in the UK¹⁵

3. Low differentiation of foods on McDonald's menu mark another significant weakness associated with the brand. As it is illustrated in Figure 3 above, although McDonald's has its own range of unique products such as BigMac, McDouble, Flat-O-Fish and others, the extent of McDonald's product differentiation is well below its full potential and this fact is one of the major weaknesses associated with the brand.
4. Negative publicity attracted as a result of a series of incidents can be highlighted as a major weakness associated with McDonald's brand. The list of these incidents include but not limited to McLibel incident, the exposure of marketing practices targeting children, where vouchers for small fries to children at KidsTown Adventure playground near Shepparton in Victoria¹⁶ and employee health and safety issues.¹⁷
5. Declining McDonald's brand image is an additional weakness that should not be neglected. Such a decline is being caused as a cumulative impact of other McDonald's weaknesses discussed above.

¹⁵ Burn-Callander, R. (2015) "Employees send McDonald's to bottom of top 10 ranking of fast food chains" *The Telegraph*, Available at: <http://www.telegraph.co.uk/finance/jobs/11786866/Its-official-Flipping-burgers-at-McDonalds-is-the-worst-fast-food-job-in-the-UK.html>

¹⁶ No team spirit: McDonald's breaks promise again by giving fast food vouchers to children (2014) *Obesity Policy Coalition*, Available at: <http://www.opc.org.au/latestnews/mediareleases/pages/mcdonalds-gives-fast-food-vouchers-to-children.aspx>

¹⁷ Kasperkevic, J. (2015). "McDonald's workers told to treat burns with condiments, survey shows" *The Guardian*, Available at: <http://www.theguardian.com/business/2015/mar/16/mcdonalds-workers-treat-burns-condiments-osh-complaints>

4.3 Opportunities

1. There is an opportunity for McDonald's to improve the brand image and increase the numbers of its customers through concentrating on nutritional value of its menu. Specifically, it is important for the brand to enhance the nutritional value of its foods without compromising the speed of its delivery and costumer services.
2. Home delivery of meals still remains as an opportunity to be explored by McDonald's. Although, the provision of home delivery service will increase the costs, thus, compromising cost leadership competitive advantage of the brand, nevertheless, the company can pilot the idea in selected locations in order to assess its feasibility.
3. Product differentiation is an opportunity to be used by McDonald's in order to increase the brand appeal and strengthen the competitive advantage in the global fast food industry. Realization of this opportunity in practice necessitates investments in research and development via attracting highly competent and experienced chefs.
4. As it has been discussed above, McDonald's brand image has been damaged as a result of negative publicities targeting various aspects of business operations. Improving CSR aspect of the business is a good opportunity to be used by senor manager in order to address this issue. McDonald's CSR programs and initiatives need to address the issues that the company is criticized for and they need to be communicated to stakeholders via utilizing marketing communication channels.
5. Increasing the extent of localization in international markets is also an attractive opportunity McDonald's management need to explore. In other words, in order to resonate well with local consumers in international markets, McDonald's marketing effort, design of restaurants and the menu needs to take into account unique aspects of the local culture and consumer behavior.

4.4 Threats

1. Food safety concerns represent one of the major threats for McDonald's. As it has been illustrated in 2004 movie 'Super Size Me' by Morgan Spurlock, the regular consumption of fast food from McDonald's can result in health deteriorations that can be even irreversible. There is a threat that new documentaries or studies will be conducted in the future targeting McDonald's with detrimental effects on the brand image.
2. Fast food market saturation in developed countries is a threat that McDonald's can face even in short-term perspective. In order to address the potential negative implications of this threat in a proactive manner, McDonald's has to focus on further increasing its presence in developing countries.
3. Lawsuits against the company is a potential threat that McDonald's can face at any time. The lawsuits may relate to the negative health implications caused by the consumption of McDonald's food or the breach of an intellectual property.
4. Currency fluctuations represents a significant threat for McDonald's due to the global scope of its business operations. Specifically, McDonald's operates in 119 countries and strengthening USD against local currencies will have an inevitable negative impact on the amount or profits to be reported.
5. Competition from quality burger chains is significant threat McDonald's has to deal with. There is a risk that McDonald's consumers can choose to dine elsewhere, albeit for higher prices due to a wide range of reasons such as health considerations, increasing levels of income and the preference for a more quality food in general.

5. PESTEL Analysis

PESTEL is a strategic analytical tool and the acronym stands for political, economic, social, technological, environmental and legal factors. McDonalds PESTEL analysis involves the analysis of potential impact of these factors on the bottom line and long-term growth prospects

5.1 Political Factors

McDonald's revenues and long-term growth prospects are affected by a number of political factors such as levels of bureaucracy and corruption, government stability and the freedom of press. Moreover, activities of trade unions and home market lobby groups can be referred to as noteworthy political factors that may affect multinational corporations.

Although, in general businesses are not in the position of influencing external political factors, a corporation of a size of McDonald's usually attempts to affect political factors via lobbying and other means. In June 2015, McDonald's hired the former White House Press Secretary Robert Gibbs as its head of global communications. This move was rightly perceived by many as an attempt to establish a connection with Washington D.C. taking into account the absence of Gibb's experience in food industry. Moreover, it has been noted that "known for effectively putting down the rumour that Obama was a Muslim, Gibbs will be a useful tool in fighting any smear campaigns that face McDonald's during his time there, be it accusations of unfair labour practices or another pink slime debacle".¹⁸

In an international stage, McDonald's experiences in Russia is a stark illustration of the impact of political factors on the business. Specifically, as a result of tensions between Moscow and Washington over the war in Ukraine, the government of Russia announced its support to a new local chain "Let's Eat at Home!" Government-related founders publicly acknowledged that "the

¹⁸ Berg, M. (2015) "By Hiring Robert Gibbs, McDonald's Plays Politics" *Forbes*, Available at: <http://www.forbes.com/sites/maddieberg/2015/06/10/by-hiring-robert-gibbs-mcdonalds-plays-politics/#6035085526f1>

aim of the project is to promote import substitution and create alternatives to Western fast-food chains”¹⁹

5.2 Economic Factors

A set of economic factors such as monetary and fiscal policies of governments, currency exchange rate, cost of labor, inflation rate and an overall macroeconomic climate in the country affects businesses regardless of the industry and the size of the company. In case of McDonald’s, changes in currency exchange rate have particularly great impact on declared income due to the global scope of business operations. A substantial part of McDonald’s operating income is generated outside of the US and about 40% of its total debt is denominated in foreign currencies. Therefore, the amount of reportable profit is subject to exchange rate fluctuations to a great extent. Particularly, changes in exchange rate between US Dollar and Euro, British Pound, Australian Dollar and Canadian Dollar greatly effects McDonald’s revenues due to the fact that these currencies represent approximately 70% of the Company’s operating income outside the U.S.²⁰. It has been estimated that “If all four of these currencies moved by 10% in the same direction, the Company’s annual diluted earnings per share would change by about 25 cents”.²¹

Inflation rate is another substantial factor with direct implications on McDonald’s performance. In Venezuela, an estimated inflation rate of 96.8 per cent due to the collapse of oil prices, the main export commodity of the country the price of a large portion of McDonald’s fries soared to USD 126. In other words as a result of inflation, “one large fries would cost nearly 9% of a person’s monthly wage, which is precipitously low in Venezuela”²²...

¹⁹Parfitt, T. (2015) “Vladimir Putin 'backs Russian fast-food rival to McDonald's” *The Telegraph*, Available at: <http://www.telegraph.co.uk/news/worldnews/europe/russia/11524817/Vladimir-Putin-backs-Russian-fast-food-rival-to-McDonalds.html>

²⁰ Annual Report (2014) McDonald’s Corporation

²¹ Annual Report (2014) McDonald’s Corporation

²² Chew, J. (2015) “A Large McDonald’s Fries Will Cost You This Much in Venezuela” *Fortune*, Available at: <http://fortune.com/2015/11/06/mcdonalds-venezuela-fries/>

5.3 Social Factors

McDonald's is also greatly impacted by additional range of social factors such as demographic changes, changes in consumer attitudes and opinions towards the fast food, media perception of the brand and health and welfare of target customer segment. Increasing level of consumer awareness about negative health implications of the fast-food is the most significant social factor that has the greatest impact on McDonald's revenues. Moreover, demographic tendency of ageing of population mainly in Europe may threaten McDonald's long-term growth prospects to a considerable extent. In other words, aged people may not choose fast food due to nutritional reasons and mobility issues with obvious implications on McDonald's revenues.

5.4 Technological Factors

Generally, prominent technological factors that impact McDonald's include industry-specific technological innovations and breakthroughs, decreasing life cycle of technology, changes in energy consumption practices, shifts in manufacturing maturity and capacity and others. McDonald's recognizes the importance of technology in terms of gaining competitive advantage in the marketplace and accordingly, the company aims to lead the industry in terms of introducing technological innovations in various processes. Moreover, the fast food chain has explored various technologies "including self-serve kiosks, tablets and 3D printing to attract tech-savvy customers."²³

5.5 Environmental Factors

Performance of McDonald's can be indirectly impacted by a set of ecological factors such as global warming, air pollution, thickening of ozone layer and others. Moreover, the impact of environmental factors on McDonald's performance can be direct as well in cases of environmental disasters such as earthquakes, flooding, tornados etc.

²³ Baldwin, C. (2013). "McDonald's to engage with tech-savvy customers in restaurants" *Computer Weekly*, Available at: <http://www.computerweekly.com/news/2240208563/McDonalds-uses-innovative-technologies-to-engage-with-tech-savvy-customers>

Any corporation of a size of McDonald's is expected by stakeholders in general, general public and non-governmental organization in particular to behave in a socially responsible manner and to illustrate commitment in dealing with a wide range of environmental issues. Neglecting this expectation may result in damage to the brand image via negative online and offline press coverage. McDonald's addresses these issues within the scope of its 2020 Aspirational Goals.

5.6 Legal Factors

McDonald's is directly impacted by a set of legal factors such as trade regulations anti-trust rules and regulations, data protection regulations and others. Additionally, there is a wide range of rules and regulations relating to employee health and safety, consumer protection laws, employment laws, and competitive rules and regulations that need to be adhered fully adhered by McDonald's. Changes in these rules and regulations are most likely to impact McDonald's performance in direct and indirect manner and in ways that are difficult to predict.

6. Marketing Strategy

6.1 7Ps of Marketing

McDonald's 7Ps of marketing comprises elements of the marketing mix that consists of product, place, price, promotion, process, people and physical evidence.

Product. McDonald's sells a wide range of fast food products such as hamburgers and cheeseburgers, Big Mac, Quarter Pounder with Cheese, Filet-O-Fish, several chicken sandwiches, Chicken McNuggets, wraps and french fries. The company also offers salads, oatmeal, shakes, McFlurry desserts, sundaes, soft serve cones, pies, soft drinks, coffee, McCafé beverages and other beverages.²⁴ Although, the company has long announced its pledge to increase the nutritional value of its meals, McDonald's foods widely remain to be perceived as unhealthy.

Place. There are 36,258 McDonald's restaurants in 119 countries.²⁵ According to its aggressive expansion business strategy, the company aims to establish its presence in urban, as well as, in rural areas. The company states that "McDonald's looks for the best locations within the marketplace to provide our customers with convenience. We build quality restaurants in neighbourhoods as well as airports, malls, tollways, and colleges at a value to our customers".²⁶ Generally, major fast food restaurants tend to cluster and in most locations, where there is a McDonald's, there is also a Burger King right across the street.²⁷

Price. McDonald's follows cost leadership business strategy and accordingly, its foods and drinks are offered for competitive prices. The fast food chain offers customers the possibility to dine for a fraction of costs that are charged by the majority of other restaurants. For example, "Dollar Menu and More" offers food that cost up to USD5²⁸.

²⁴ Annual Report (2014) McDonald's Corporation

²⁵ Annual Report (2014) McDonald's Corporation

²⁶ Real Estate: McDonald's Restaurant Development (2016) *McDonald's*, Available at: http://www.aboutmcdonalds.com/mcd/franchising/real_estate.html

²⁷ Talwalkar, P. (2012) "Why are McDonald's and Burger King usually located near each other? Fast food location game theory" *Mind Your Decisions*, Available at: <http://mindyourdecisions.com/blog/2012/10/23/why-are-mcdonalds-and-burger-king-usually-located-near-each-other-fast-food-location-game-theory/>

²⁸ Peterson, H. (2016) "McDonald's is getting cheaper — and that should terrify Burger King and Wendy's" *Yahoo! Finance*, Available at: <http://finance.yahoo.com/news/mcdonalds-getting-cheaper-terrify-burger-160555106.html>

Promotion. McDonald's uses a range of elements of the marketing communication mix such as print and media advertising, sales promotions, events and experiences, public relations and direct marketing in an integrated manner in order to communicate the marketing message to the representatives of the target customer segment. McDonald's marketing message is focused on competitive prices of the meals, high speed of the service and increasing variety of choice.

Process. High speed of the provision of customer services without compromising the quality of the service is one of the core bases of McDonald's competitive advantage. Accordingly, customer service is provided in a fast-paced and busy environment.

People. McDonald's is notorious for paying low wages and this situation has direct and significant implications on various aspects of HRM practices of the business. Nevertheless, it can be argued that front-line employees who directly communicate with customers do usually possess and exercise necessary set of skills and competencies.

Physical evidence. The majority of McDonald's restaurants are designed in a modern and dynamic fashion with the evident application of creativity. It is important to note that while there is a common set of features in the design of McDonald's restaurants such as green color of chairs in most restaurants and dark grey color of external walls, no two restaurants are the same in terms of design and each McDonald's restaurant has its own unique elements of design.

6.2 Segmentation, Targeting & Positioning

McDonald's segmentation, targeting and positioning is one of the integral components of its marketing strategy. Segmentation involves dividing population into groups according to certain characteristics, whereas targeting implies choosing specific groups identified as a result of segmentation to sell products. Positioning refers to the selection of the marketing mix the most suitable for the target customer segment. McDonald's uses adaptive type of product positioning and accordingly, the company is engaged in periodical repositioning of products and services according to changes in the segment.

The following table 2 illustrates McDonald's segmentation, targeting and positioning:

Type of segmentation	Segmentation criteria	McDonald's target segment
Geographic	Region	Domestic/international
	Density	Urban/rural
Demographic	Age	8 - 45
	Gender	Males & Females
	Life-cycle stage	Bachelor Stage: young, single people not living at home Newly Married Couples: young, no children Full Nest II: youngest child six or over
	Income	Low and middle
	Occupation	Students, employees, professionals
Behavioral	Degree of loyalty	'Hard core loyals' and 'Switchers'
	Benefits sought	Cost benefits, time efficiency
	Personality	Easygoing & careless
	User status	Potential and regular fast food eaters
Psychographic	Social class	Lower, working and middle classes
	Lifestyle	McDonald's targets Resigned, Struggler and Mainstreamer individuals according to Cross Cultural Consumer Characterization developed by Young & Rubican

Table 2 McDonald's segmentation, targeting and positioning

Important aspects of the target customer segment as illustrated in Table 2 above serve as the main guiding principle for McDonald's marketing management to deal with Product, Place, Price, Promotion, Process, People Physical evidence elements of the marketing mix.

6.3 Marketing Communication Mix

McDonald's marketing strategy relies upon an extensive utilization of individual elements of the marketing communication mix. Specifically, McDonald's marketing communication mix comprises print and media advertising, sales promotions, events and experiences, public relations and direct marketing. McDonald's marketing and promotional efforts focus on value, quality, food taste, menu choice, nutrition, convenience and the customer experience

6.3.1 Advertising

McDonald's marketing strategy attempts to integrate the elements of creativity and uniqueness in its print and media advertising. For example, the company has launched 'Easy Morning' print ads with the tagline "In the morning not everything is as easy as breakfast at McDonalds", and an humorous attempt has been made to show an appropriate time to eat burger via a print ad.

McDonald's spends considerable amount of financial resources for print and media advertising. However, massive advertisement spending has failed to secure the growth of profit for McDonald's, at the same time when the profit of other fast food chains have been growing with a fraction of McDonald's advertising budget. Specifically, as it is illustrated in Figure 5 below, "Starbucks spends 15% of what McDonalds spends on advertising but achieves far higher marketing ROI"²⁹. The rationale behind such a situation partially relates to the presence of complex issues associated with McDonald's brand such as overly unhealthy food and this problem is difficult to be addressed via print and media advertising.

²⁹ Brown, G. (2015) *Brand Love Book*, Available at: <http://www.brandlovebook.com/brand-love-case-study-mcdonalds/>

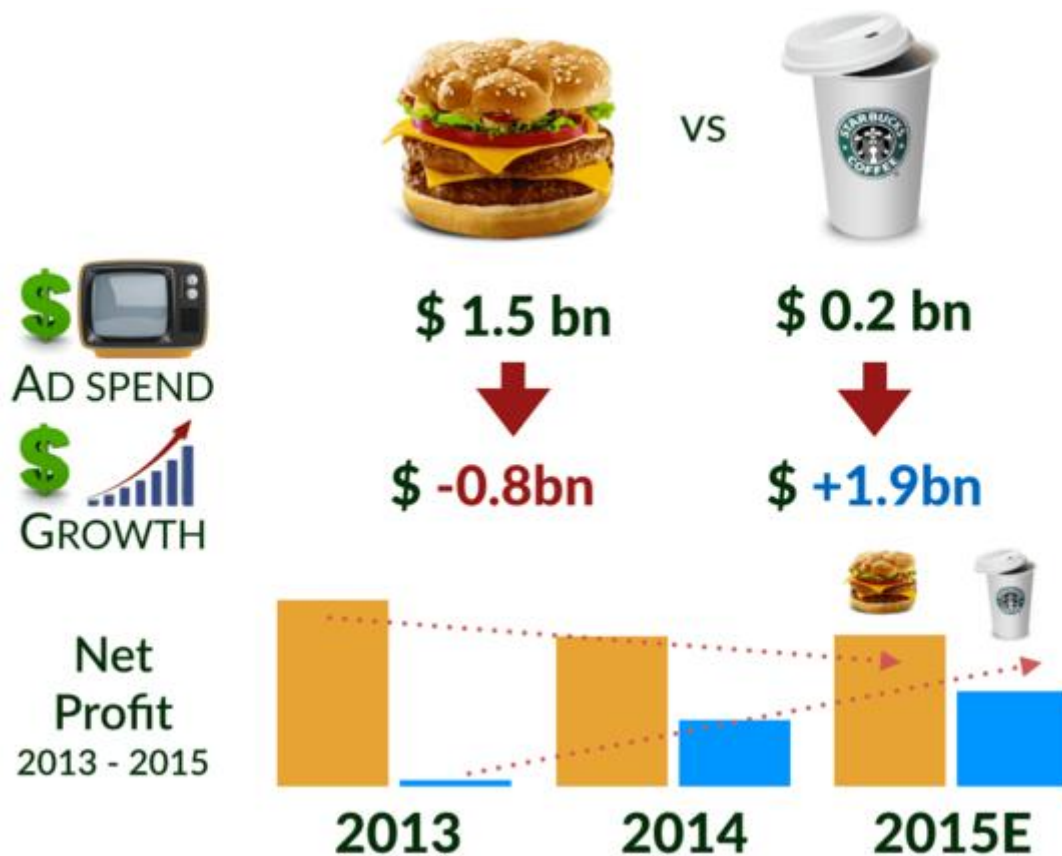


Figure 5 Advertising expenses and profits of McDonald's and Starbucks Coffee³⁰

McDonald's viral marketing also plays an instrumental role in terms of spreading the marketing message among the members of the target customer segment. The most noteworthy McDonald's viral marketing campaigns include "Ask McDonald's YouTube campaign" in Canada, 'McDonald's GOL!' marketing video clip that attracted more than 10 million views and others.

6.3.2 Sales Promotion

Sales promotion is a popular marketing technique with McDonald's and other fast food chains. The list of the most noteworthy sales promotions initiated by McDonald's include free breakfast

³⁰ Figure taken from <http://www.brandlovebook.com/brand-love-case-study-mcdonalds/>

delivery promotion according to mobile nominations³¹, ““McPick 2," a limited-time deal that will let customers select two of the following items for \$2: a McDougle, a McChicken, small fries, and mozzarella sticks”³² and others...

6.3.3 Events & Experiences

McDonald's is famous for sponsoring and hosting various events and experiences that promote specific products and promote brand image in general. Many McDonald's restaurants have dedicated areas where children can play games and have fun. Previously, the company has sponsored MTV's live music event “to promote its McFlurry range to MTV's 16- to 24-year-old core audience”³³. Moreover, McDonald's late night experience Nightlife Brand Ambassadors visited venues involved Latin dance contests, body art and guest DJ's to increase brand awareness.³⁴

There are many other instances where McDonald's has initiated or sponsored various events and experiences in order to increase brand awareness and/or promote specific products to the members of the target customer segment.

6.3.4 Public Relations

McDonald's runs its public relations practices via online press releases, annual reports, speeches and seminars. An annual CSR report is also used by McDonald's as an effective PR tool. McDonald's PR is headed by a former White House Press Secretary Robert Gibbs. During the past years the PR team had to deal with a set of scandals that include but not limited to McLibel lawsuits with environmental activists Helen Steel and Dave Morris in 1990s, a report by

³¹Samuely, A. (2015) “McDonald's builds free breakfast delivery promotion around mobile nominations” *Mobile Commerce Daily*, Available at: <http://www.mobilecommercedaily.com/mcdonalds-delights-consumers-in-northern-california-with-mobile-enabled-breakfast-delivery>

³²Peterson, H. (2016) “McDonald's is getting cheaper — and that should terrify Burger King and Wendy's” *Yahoo! Finance*, Available at: <http://finance.yahoo.com/news/mcdonalds-getting-cheaper-terrify-burger-160555106.html>

³³Magee, K. (2015) “McDonald's to sponsor MTV live events” *Campaign*, Available at: <http://www.campaignlive.co.uk/article/mcdonalds-sponsor-mtv-live-events/1349612>

³⁴Modern Communications (2013) Available at: <http://www.moderncommunications.com/work-blog/bid/271868/McDonalds-Nightlife-Marketing-and-Event-Photo-Activations>

Greenpeace in 2006 that “among others, such as KFC --- was using chicken meat from birds fed on soya grown in areas of farmland made by destroying parts of the Amazon rainforest”³⁵ and Super Size Me documentary directed by Morgan Spurlock that effectively illustrated negative health effects of McDonald’s food.

6.3.5 Direct Marketing

Direct marketing can be defined as “as a marketing strategy to build stronger, more personal relationships between the buyer and selected customers directly”³⁶. In other words, in direct marketing there are no intermediaries between the buyer and the seller in terms of promotion and distribution. McDonald’s employs direct marketing occasionally. “McDonald’s draws importance to reaching those customers who are most possibly most interested in their products. This involves distributing or giving promotional material directly through post, in excess of the telephone, or through voucher system or even door to door. For this reason, McDonalds try to appear in all events, occasion that catch the attention of boys and girls. This is an incentive to encourage customers to buy their latest product. McDonalds have the advantage to target those customers who are keen and are mostly paying attention in specific products on offer. For instance, McDonalds may mail out a letter regarding about a forthcoming product to keen and enthusiastic customers.”³⁷

6.3.6 Personal Selling

Personal selling is “person-to-person communication with a prospective customer in order to develop a relationship, identify customer needs, match goods/services with those needs, communicate benefits to customers, and gain commitment to purchase goods/services that satisfy customer needs”³⁸. McDonald’s does not use personal selling as a part of its marketing strategy.

³⁵Croucher, S. (2015) “McDonald's at 75: Pink slime, McLibel and other scandals” *IBTimes*, Available at: <http://www.ibtimes.co.uk/mcdonalds-75-pink-slime-mclibel-other-scandals-1501345>

³⁶ Moore, K. & Pareek, N. (2010) “Marketing: The Basics” 2nd edition, Taylor & Francis, p.168

³⁷Naveed (2008) “Promotional Techniques” Available at: <https://naveed92.wordpress.com/tag/direct-marketing/>

³⁸Siguaw, J.A. & Bojanic, D.C. (2004) “Hospitality Sales: Selling Smarter” Cengage Learning, p.2

7. Porter's Five Forces Analysis

Porter's Five Forces analytical framework developed by Michael Porter (1979)³⁹ represents five individual forces that shape the overall extent of competition in the industry. These forces are represented in Figure 6 below:

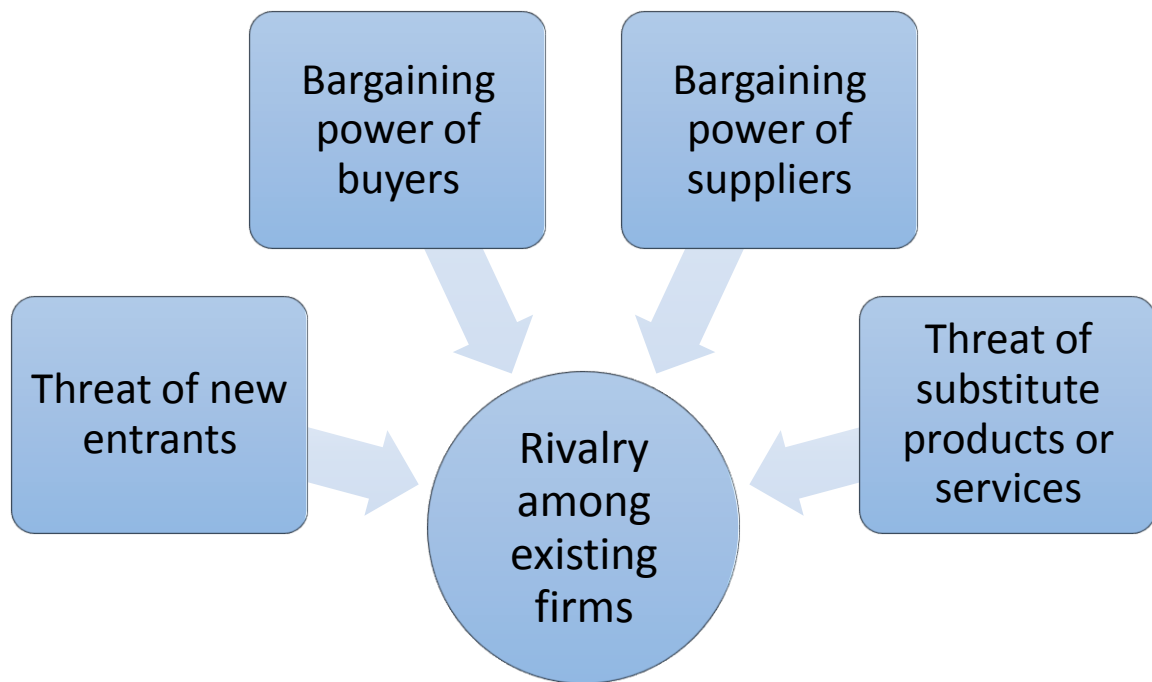


Figure 6 Porter's Five Forces

Threat of new entrants is moderate. On one hand, fast-food market is near the point of saturation in many locations and the economies of scale derived by major market players such as McDonald's, Starbucks Coffee, Burger King, KFC and Subway can be a significant barrier for new entrants. On the other hand, opening a fast-food restaurant does not involve huge capital requirements compared to many other types of businesses and there are no legal or regulatory barriers to start a business in this industry. Moreover, a new fast-food restaurant may have a descent chance of becoming successful if it adopts product differentiation as its competitive advantage in an efficient manner.

³⁹ Porter, M. (1979) "How Competitive Forces Shape Strategy" *Harvard Business Review*

Bargaining power of McDonald's buyers is immense. Customers can switch from McDonald's to any other fast food chain such as KFC, Pizza Hut, Starbucks and Burger King with no additional expenses to them. Customers' propensity to switch to the competition may be great taking into account clustered pattern of geographical location of major competing fast-food brands. Moreover, customers of fast-food chains tend to be highly price-sensitive and they usually possess detailed information about fast-food products and related services. These are additional factors that fuel the bargaining power of McDonald's buyers.

Bargaining power of McDonald's suppliers is low. McDonald's works with a number of large suppliers such as Coca-Cola Company, Clorox Company, Dr. Pepper Snapple Group Inc. McCormick & Company Inc., International Paper Company, Sealed Air Corporation and others.⁴⁰ McDonald's Corporation and its affiliates and subsidiaries generally do not supply food, paper or related items to any McDonald's restaurants. The Company relies upon numerous independent suppliers, including service providers for the supply of food and other related items.⁴¹ A set of important factors such as an abundance of potential suppliers, low level of uniqueness of products provided by suppliers and the importance of volume of order for each supplier reduce the bargaining power of McDonald's suppliers.

Threat of substitute products or services for fast food is great. These include but not limited to local bakeries, snacks, ready food and sandwiches sold in supermarkets and consumers cooking their food at home. There are no additional costs involved for consumers to switch to the substitution and this fact further increases the threat of substitute products to the fast food.

Rivalry among existing firms is fierce. McDonald's faces competition from quick-service eating establishments, casual dining full-service restaurants, street stalls or kiosks, cafés, 100% home delivery/takeaway providers, specialist coffee shops, self-service cafeterias and juice/smoothie bars.⁴² According to Euromonitor International, the global informal eating out segment comprised about 8 million outlets and generated USD 1.2 trillion revenues in 2013.

⁴⁰McDonald's Supplier Data (2016) *CSI Markets*, Available at:
<http://csimarket.com/stocks/competitionNO4.php?supply&code=MCD>

⁴¹Annual Report (2014)

⁴²Annual Report (2014)

McDonald's outlets accounted for 0.4% of those outlets and 7.5% of the sales.⁴³ As it is illustrated in Figure 7 below, McDonald's also maintains a leadership position in terms of the brand value among its major competitors

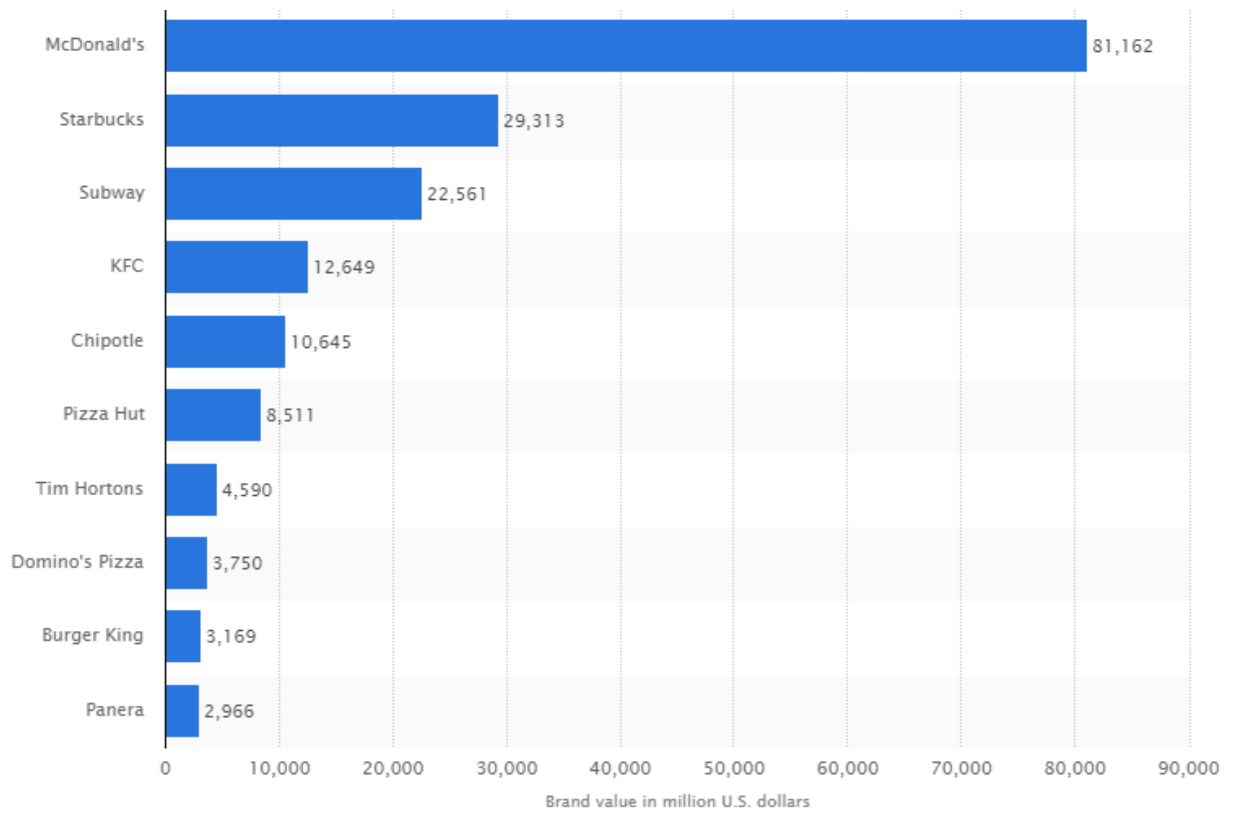


Figure 7 Brand value of the 10 most valuable fast food brands worldwide in 2015 (in million U.S. dollars)⁴⁴

⁴³Annual Report (2014)

⁴⁴Statista (2016) Available at: <http://www.statista.com/statistics/273057/value-of-the-most-valuable-fast-food-brands-worldwide/>

8. Value-Chain Analysis

Value chain analysis is an analytical framework that assists in identifying business activities that can create value and competitive advantage to the business. Figure 8 below illustrates the essence of value chain analysis.

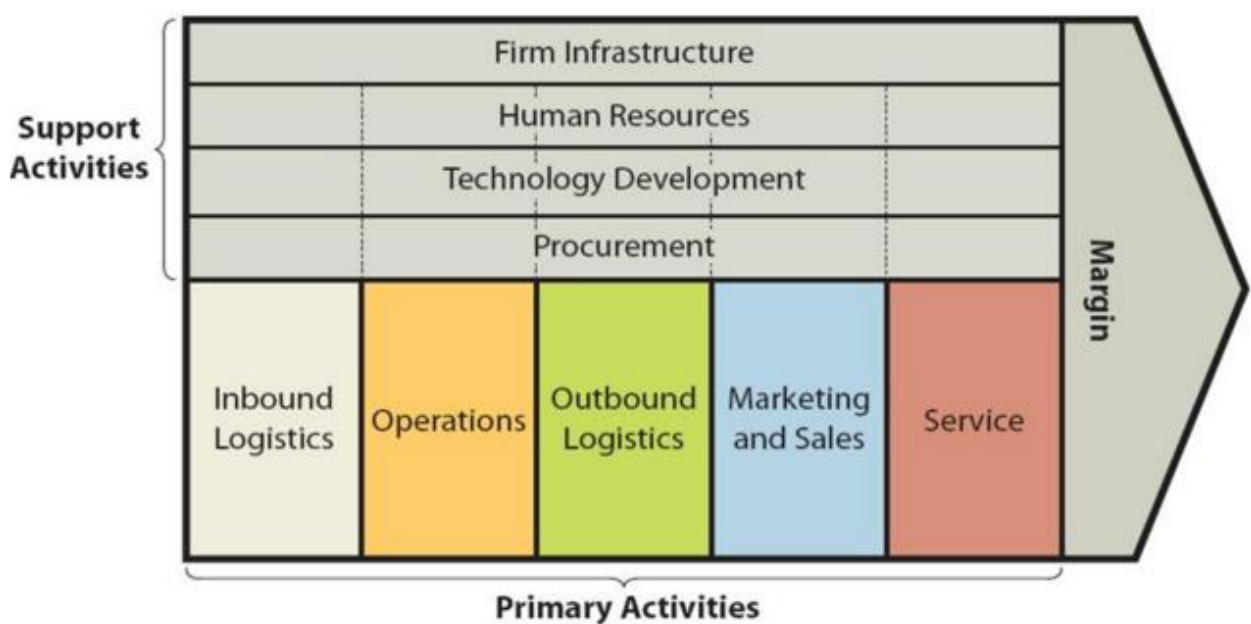


Figure 8 Value chain analysis

8.1 Primary Activities

Inbound logistics

Operations

McDonald's operates Company-owned and franchised restaurants. About 80% of McDonald's restaurants are owned and operated by independent franchisees⁴⁵. McDonald's franchise

⁴⁵ Annual Report (2014) McDonald's Corporation

restaurants have one of the following formats: conventional franchise, developmental license or affiliate.⁴⁶

Conventional franchising involves franchisees paying rent and royalties on the percentage of sales along with the payment of initial fees when opening a new restaurant. In this type of franchising, McDonald's Corporation owns the land and building or secures a long-term lease for the restaurant location and the franchisee pays for equipment, signs, seating and décor.⁴⁷

Developmental license involves licensees providing capital for the entire business, including the real estate interest.⁴⁸ In developmental license agreement no capital invested by McDonald's Corporation. Royalty is paid by licensee on the percentage of sales in addition to initial fees upon the opening of a new restaurant or grant of a new license. This structure of developmental license ownership is used by McDonald's in more than 70 countries with a total of 5,228 restaurants.⁴⁹

Affiliates as another form of franchising refers to a limited number of foreign affiliated markets. McDonald's receives royalties from affiliates on the percent of sales. Japan accommodates the largest numbers of affiliates with close to 3,100 restaurants.⁵⁰

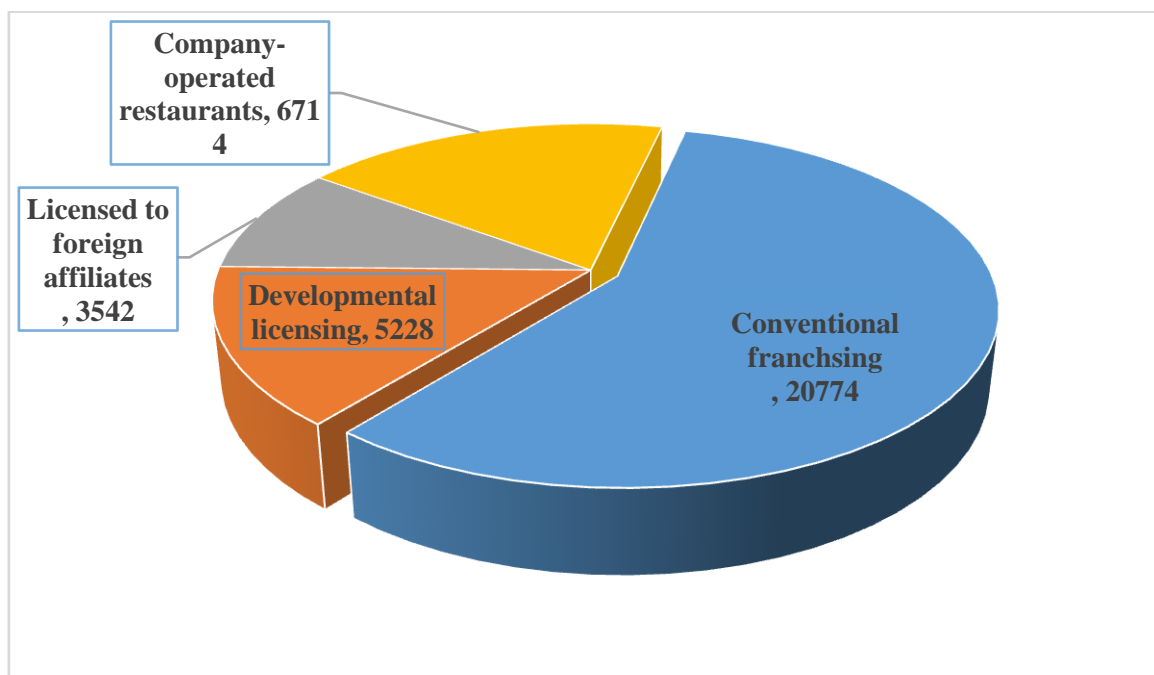


Figure 9 McDonald's store formats

⁴⁶ Annual Report (2014) McDonald's Corporation

⁴⁷ Annual Report (2014) McDonald's Corporation

⁴⁸ Annual Report (2014) McDonald's Corporation

⁴⁹ Annual Report (2014) McDonald's Corporation

⁵⁰ Annual Report (2014) McDonald's Corporation

Geographical reportable segment	Percentage of total revenues
United States	32%
Europe	40%
Asia/Pacific, Middle East and Africa ("APMEA")	23%
Other countries	5%

Table 3 McDonald's revenues across geographical segments

Outbound logistics. Macdonald's restaurants operate in the following formats: sit-down restaurants, drive-thru, counter-service outlets in food courts and ski-thru. The process of obtaining meals in sit-down restaurant format is conventional process of dining out in a restaurant and it involves a waiter or waitress taking order and delivering the food. McDonald's counter-service outlets, on the contrary, involve self-service. McDonald's is credited with the invention of drive-thru and sky-thru formats of food delivery. The latter format is available only in a few locations such as "a popular Swedish ski resort of Lindvallen, 280 miles north of Stockholm"⁵¹. McDonald's does not offer home delivery services as yet.

Marketing and sales. McDonald's uses print and media advertising extensively in order to communicate its marketing message to the representatives of the target customer segment. Company's advertising budget in the US alone equaled to USD 1.42 billion in 2014⁵². Along with print and media advertising, this amount was spent on sales promotions, events and experiences and public relations.

Service. High speed of the provision of customer service is one of the main competitive advantages of McDonald's. However, attempts of the company to provide excellent customer services contradicts its practice of paying minimum or slightly above minimum wages to its employees.

8.2 Support Activities

Infrastructure. McDonald's infrastructure includes its wide range of support systems and functions such as finance, planning, quality control and general senior management. Mr. Steve Eastbrook is the President and CEO of McDonald's since early 2015 and he is assisted by a

⁵¹ McDonald's Have A Ski-Thru Restaurant On A Mountain. Yes, Really (2015) *MPORA*, Available at: <http://mpora.com/articles/mcdonalds-have-a-ski-thru-restaurant-on-a-mountain-yes-really#QJrLdK3U24ADtlsv.97>

⁵²Statista (2016) Available at: <http://www.statista.com/statistics/192159/us-ad-spending-of-mcdonalds/>

Chief Administrative Officer, Chief Supply Chain and Sustainability Officer, seven executive vice presidents, one senior vice president.

Human Resource Management. McDonald's employs about 420,000 people in more than 100 countries to serve about 69 million people.⁵³ In a survey conducted in 2014, 83% of McDonald's restaurant managers in top markets globally stated that McDonald's is a great place to work⁵⁴. Moreover, the company offers training and development programs to its Franchisees, managers and employees via McDonald's Hamburger University, founded in 1961, which comprises 7 campuses around the world. Nevertheless, the fast food chain is notorious for paying low wages to its employees.

Technology Development is rightly understood by McDonald's as one of the critical success factors to survive in the contemporary marketplace. Accordingly, the company commits to technological investments in a regular manner. For example, in 2014, McDonald's became the first in the industry to accept Apple Pay in the drive-thru in US restaurants.

Procurement activity within McDonald's chain of support operations relates to the ways resources are acquired for the business. Due to the size and scope of McDonald's business operations, the company runs complex procurement activities in the global scale, aiming to adhere to fair business practices.

⁵³ Annual Report (2014) McDonald's Corporation

⁵⁴ Good Business Report (2014) McDonald's Corporation

9. McKinsey 7S Framework

McDonald's McKinsey 7S framework illustrates the ways in which seven elements of businesses can be aligned to increase effectiveness. According to the framework strategy, structure and systems represent hard elements, whereas shared values, skills, style and staff are soft elements. McKinsey 7S framework stresses the presence of strong links between elements in a way that a change in one element causes changes in others. As it is illustrated in Figure 10 below, shared values are positioned at the core of McDonald's McKinsey 7S framework, since shared values guide employee behavior with implications in their performance.

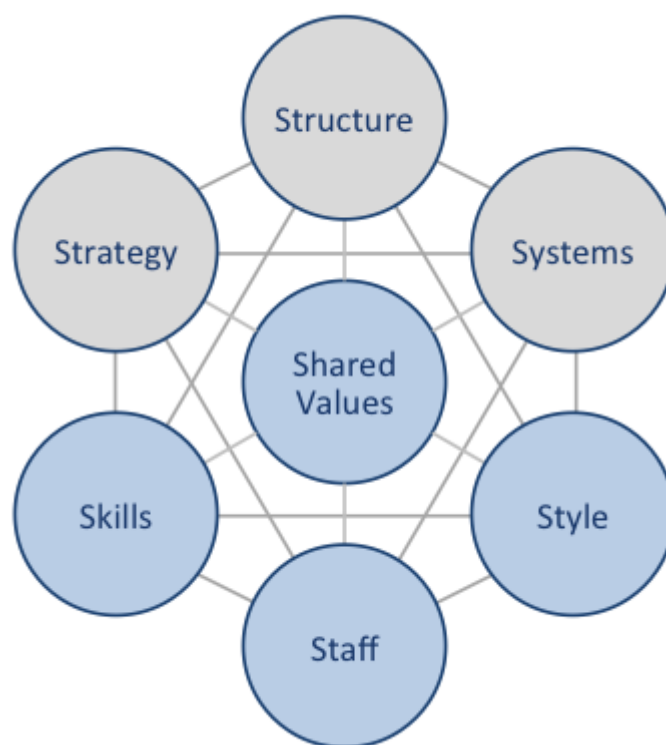


Figure 10 McKinsey 7S Framework

Hard Elements

Strategy. McDonald's pursues business strategy of cost leadership and an aggressive international market expansion. The company is able to operate with low operational costs due to economies of scale enjoyed to an enormous extent. Moreover, along with operating company-managed restaurants, McDonald's capitalizes on the high level of brand awareness via franchising. Specifically, as of December 31, 2014, out of 36,258 total restaurants in 119

countries, 29,544 were franchised⁵⁵. The strategy pursued by McDonald's is well aligned with other elements discussed below.

Structure. McDonald's structure has been subjected to modifications by new CEO and President Mr. Steve Eastbrook in 2015 to increase the focus on global operations. Under the new structure that became effective from July 1, 2015 markets are divided into four segments, the head of each segment directly reporting to the CEO and President. These four segments are USA, high growth markets, international lead markets and foundational markets.

Systems. Due to the size and scope of the business, McDonald's organizational systems including finance, employee recruitment and selection and IT systems can be assessed as complex. McDonald's systems within the restaurants refer to day-to-day activities engaged by the workforce to serve visitors. These are routinely modified in order to increase the speed and quality of preparing foods and serving clients in its restaurants.

Soft Elements

Shared values. McDonald's promotes the values of total dedication to customer. The company declares that "everyday all around the globe, McDonald's is putting people, processes and practices into place to make better food, more sustainable sourcing, happier people, a stronger community and a healthier planet".⁵⁶

Skills. There is no need for advanced skills and competencies for most roles in McDonald's restaurants. Nevertheless, the company offers training and development to the workforce in company-owned restaurants that focus on increasing customer service skills. Moreover, McDonald's Hamburger University offers training for McDonald's Franchisees, managers and employees.

Style. Leadership and management style in McDonald's restaurants can be characterized as autocratic partially due to highly standardized and automated nature of organizational processes which leaves a little room for employee initiatives and suggestions. Moreover, it can be argued that most positions in McDonald's involve only manual jobs and this situation decreases employee bargaining power, at the same time contributing to the formation of autocratic management style.

⁵⁵ Annual Report (2014) McDonald's Corporation

⁵⁶ Our Journey Together. For Good. (2016) *McDonald's Corporation*, Available at: http://www.mcdonalds.com/us/en/our_story/values_in_action.html

Staff. There are no high requirements in terms of qualifications, work experience and employee skills and competencies in order to be employed in a McDonald's restaurant. Accordingly, the pay rate offered in McDonald's restaurants around the world equals to or is slightly above the minimum wage.

10. Corporate Social Responsibility (CSR)

10.1 CSR Programs and Initiatives

McDonald's has formulated its 2020 Aspirational Goals that explain the measures of sustainable sourcing of foods and packaging, providing balanced choices to customers, developing and operating environmentally efficient McDonald's restaurants and supporting local communities to be initiated by the company. The company releases The Good Business Report annually and it includes the details of McDonalds CSR programs and initiatives engaged by the company. Table 4 below illustrates highlights from the latest report for 2014:

Categories of CSR activities	McDonald's Performance
Supporting local communities	McDonald's claims to be improving the lives of children and their families via the support of Ronald McDonald House Charities (RMHC) and other organizations. According to McDonald's this support addresses the needs such as education and physical activity
Educating and empowering workers	In a survey conducted in 2014, 83% of McDonald's restaurant managers in top markets globally stated that McDonald's is a great place to work McDonald's Hamburger University, founded in 1961, comprises 7 campuses around the world and provides training for McDonald's Franchisees, managers and employees
Labor and human rights	The company requires its suppliers to adhere to the Supplier Code of Conduct. The Code clarifies requirements of McDonald's about issues related to Human Rights, Environmental Management, Workplace Environment and Business Integrity
Employee health and safety	McDonald's promotes its Work Health and Safety Policy among the workforce at all levels.
Gender equality and minorities	27% of positions at vice president and above levels are held by women More than 25% of managers in company-owned restaurants are women or people of colour
Environment	McDonald's maintains close collaborations with World Wildlife Fund (collaborator) BSR (Business for Social Responsibility) (member and research partner) Global Reporting Initiative (organizational stakeholder - Germany) and GreenBiz Group (collaborator) in its sustainability efforts
a) energy consumption	132,186 pieces of energy efficient equipment was bought by McDonald's Corporation and its Franchisees in 2014. This is estimated to save about 142 gigawatt hours and USD 14.2 million in energy costs McDonald's 2020 Aspirational Goals includes 50% increase in energy

	efficiency of Company-owned restaurants. So far an increase of 20% has been achieved.
b) water consumption	No known global initiatives
c) recycling	Since 2010, US-based McDonald's outlets that have used LED lighting have achieved an estimated average reduction of 7% in energy usage each year. Within the scope of its 2020 Aspirational Goals, McDonald's aims to increase amount of in-restaurant recycling to 50% and minimize waste.
d) CO2 emissions	No concrete initiatives and programs in the global scale
Responsible sourcing	<p>Responsible sourcing efforts of McDonald's are conducted in collaboration with Global Forest & Trade Network (member) Global Roundtable for Sustainable Beef (founding member) GTPS - Brazilian Roundtable on Sustainable Livestock (member) Roundtable on Sustainable Palm Oil (member) Sustainable Agriculture Initiative Platform (member - Europe) U.S. Roundtable for Sustainable Beef (founding member).</p> <p>Fruits, vegetables, low-fat dairy or whole grains served in McDonald's restaurants increased by 30 per cent in 2014 compared to 2012</p> <p>More than 96 of the Global Roundtable for Sustainable Beef's membership voted to approve final principles and criteria for sustainable beef 100% of the fisheries and 32% of coffee sources used by McDonald's are verified sustainable sources in 2014</p>
Other initiatives	<p>Ronald McDonald House Charities served 5.7 million children and their families in 2014</p> <p>The company has made a pledge for responsible marketing for children in 52 countries</p>

Table 4 McDonalds CSR performance⁵⁷

10.2 CSR Criticism

Along with CSR initiatives and programs as illustrated above, McDonald's is faced with criticism on the grounds of poor employee treatment, unhealthy food, irresponsible marketing practices to children, setting unrealistic CSR aims and objectives and others.

Arguably, detrimental health effects of its food can be specified as the major and valid point of criticism related to McDonald's. A famous 2004 movie, Super Size Me involved a social

⁵⁷ Figures taken from The Good Business Report 2014

experiment by the Director Morgan Spurlock, where Spurlock consumed food from only McDonald's menu for one month. The film illustrates that by the end of the month, the weight of Mr. Spurlock ballooned, while his energy levels declined along with other detrimental side effects.

Although, McDonald's has made a pledge for responsible marketing for children in 52 countries⁵⁸, the company has been criticized for breaking this promise by giving fast food vouchers to children in 2015. Specifically, it has been found that "The Happy Meal shown on the voucher contains 2,678kJ, 7.7g of saturated fat, more than 900mg of sodium and more than 30g of sugar. In July a similar complaint was upheld by the ASB after McDonald's was found handing out vouchers for small fries to children at KidsTown Adventure playground near Shepparton in Victoria"⁵⁹

In 2015, as much as 28 health and safety complaints were filed against McDonald's by employees who have suffered severe burns in 19 cities within the timeframe of only two weeks. "The complaints, which were filed with the US Occupational Safety and Health Administration as well as state safety and health authorities, allege that many of the injuries occurred because of understaffing and the pressure to work fast"⁶⁰

Along with incidents mentioned above, McDonald's had to deal with a number of other CSR-related issue during the past years. Moreover, 2020 Aspirational Goals announced by McDonald's have been criticized for being unrealistic. Specifically, it has been noted that "McDonald's has created quite a challenge for itself with these commitments — not only in fulfilling them but essentially in announcing a goal of making fast food healthy for its customers and the world at large"⁶¹

⁵⁸ The Good Business Report 2014 (2015) McDonald's Corporation

⁵⁹ No team spirit: McDonald's breaks promise again by giving fast food vouchers to children (2014) *Obesity Policy Coalition*, Available at: <http://www.opc.org.au/latestnews/mediareleases/pages/mcdonalds-gives-fast-food-vouchers-to-children.aspx>

⁶⁰ Kasperkevic, J. (2015). "McDonald's workers told to treat burns with condiments, survey shows" *The Guardian*, Available at: <http://www.theguardian.com/business/2015/mar/16/mcdonalds-workers-treat-burns-condiments-osh-complaints>

⁶¹ Elks, J. (2014) "McDonald's Reveals CSR/Sustainability Framework and Host of 2020 Goals" *Sustainable Brands*, Available at: http://www.sustainablebrands.com/news_and_views/organizational_change/jennifer_elks/mcdonalds_reveals_csr_sustainability_framework_ho

11. Recommendations

On the basis of discussions and analysis above, the following recommendations can be formulated to McDonald's in order to address the current challenges faced by the business and increase its long-term growth prospects:

1. **Increasing the nutritional value of foods.** This report has found that negative health implications of the fast food and increasing consumer awareness of this fact is the most important contemporary challenge for McDonald's. The company is recommended to address this issue via investing in culinary research and development with the aim of increasing the nutritional value of its food while preserving its fast food aspects.
2. **Increasing the effectiveness of CSR aspect of the business.** It has been found that McDonald's is often criticized in the media for poor CSR performance in general and poor employee relations in particular with highly detrimental impact on the brand image. The senior level management needs to address this problem through increasing the amount of funding and efficiency of CSR programs and initiatives of the company.
3. **Entering into strategic collaborations is another noteworthy recommendation to be considered by McDonald's management.** Specifically, McDonald's needs to explore cooperation opportunities with other non-competing businesses in food and catering industry in order to gain cost effectiveness in promotional efforts and a range of other business processes and procedures.
4. **McDonald's management is recommended to further increase its focus on following "Think Global, Act Local" principle.** Accordingly, menu, marketing practices, the patterns of service and other aspects of McDonald's restaurant operations need to reflect important elements of the local culture that have direct and indirect impact on consumer preferences and purchase behavior.