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Introduction

The current project deals with the business report of a McDonald's company within the market operating in Australia. There exists thirteen points about the company such as partners, resources, customer relations and segments, cost and revenue structure, etc. The task is to determine the strong points and weak points of the company and formulate certain suggestions towards the weakness of the company.

Executive summary

McDonald's popularly known as Mc D (or MCD) is a food restaurant which has specialized itself in the department of fast food, it's a fast food chain. It has spread itself over many countries, over 100 countries. McDonald's serves millions of millions of customers every day and it gives employment to around five million workers. The products or the menu includes burgers, soft drinks, fries, nuggets, ice creams, etc.

In order to compete in the marker, companies adopt different strategies and McDonald's uses its trademark QSC&V (QSC&V stands for quality, service, cleanliness and values). The plan to win for the company is the five P's (people, price, product, promotion and place). The three legs upon which McDonald's stands are the owners or directors or operators, the individual making the supply to the company and the workers. (Jones, 2014)

Key partners

The important partners for McDonald's in Australia are as follows:

1. For non-veg products such as fish, chicken and beef – OSI.
2. For the distribution channel – Martin Brower.
3. Australian food corporation is responsible only and only for the beef products.
4. For the supply of chicken products – Inghams Enterprises.
5. For the products such as brownies and fries – a). Simplot, b). McCain
6. Making products such as muffins, cakes, buns – ARYZTA.
7. For products such as mixes, cheese and shakes – Fonterra.

Worldwide McDonald's have number of restaurants, that requires number of products and ingredients. Contracts are made with different agencies or suppliers as MCD does not make any of its ingredients. One of the legs of the stool of MCD is the suppliers. The ingredients or products are supplied by these suppliers like dairy products, non veg products, bakery products, etc. (McDonalds,

2016)



(Source: <http://marketrealist.com/2014/07/must-know-mcdonalds-supply-chain/>)

In order to serve millions of consumers daily, it requires great effort and consistency and it comes from the suppliers that provide them with the products and ingredients. MCD sets up the strictness upon its suppliers considering the quality, continuity of the product that is to be delivered. It also takes appropriate measures about the freshness, cleanliness, texture and it makes sure it continues to set up its standards.

Food safety is another priority for MCD and it ensures it. There has been certain cases regarding the food served and several lawsuits have been charged against different companies. MCD needs to make sure that it has appropriate measures to avoid such law suits by enhancing the quality of the products. There are various tractability systems that help the suppliers to track the product. Suppliers supply the products and ingredients directly the concerned restaurant. Therefore, the key partners for MCD are its suppliers that provide the company with timely delivery of respective products and ingredients within the supply chain.

Key activities

MCD is quite popular worldwide and we all are very much familiar with the company's name. Value proposition is of the primary concern for the company. It makes sure that it continuously provide quality food and products to its customers also makes sure that the serving of the food does not take much time (served quickly).

Almost all the public groups are the customer segments of the company, whether they are families or corporate people. All the age group individuals (children, youngsters, elders) make considerable

appearances at the MCD restaurants and the company ensures that it serves them with the quality products.

When speaking of activities of MCD, these involve the considerations (marketing and selling) of its products. The marketing process involves the 4 Ps (product, price, place and promotions).

Product:

Different customers want different products according to the choice and needs and preferences. Customers needs and wants changes with time and MCD makes it menu accordingly. In order to cope up with the changes the company makes appropriate changes and introduces new items and eliminates the old ones.



(Source:

<http://businesscasestudies.co.uk/mcdonalds-restaurants/the-marketing-process/the-4ps.html#axzz4LTjz1fgH>)

Price:

Price of the product is an important factor that is to be considered keeping in mind the thinking of the customer. Sometimes the customer may tend to think that if a product is low priced than it may be of inferior quality and may avoid such purchases. A consumer may figure out that what is the actual worth of the product. So, pricing is the very essential tool for marketing. Lowering down of the prices may also motivate the competitors to do the same and as a result it may end up in the deduction of profit margins as there won't be any increase in the number of sales.

Promotions:



(Source:

<http://businesscasestudies.co.uk/mcdonalds-restaurants/the-marketing-process/the-4ps.html#axzz4LTjz1fgH>)

Promotion is an attempt to increase the sales volume of the product. Advertising is performed through various media channels like magazines, TV, etc. advertising through media channels incurs heavy cost. Promotional methods like coupons, free sampling, mailing, live examples, marketing through phones, etc. includes less cost. The core objectives of all these efforts are to provide effective result to the company.

MCD deals with millions of customers daily and it is helping them to understand its customers well enough and it is able to serve them with quality products and is getting feedbacks from them. This help in creating the customer satisfaction. By doing so, it easy to make them want what is being offered to them. Using the right channel, appropriate message should be conveyed to the right public.

Place:

It is not just about the physical aspects or the distribution points of the company, but it is also concerned about the operations needed in delivering the products to its consumers.

Key resources

The employees of the company and its outlets at primary locations are the key resources of McDonald's. The company has moved greatly towards the automation, therefore reducing the manpower and human efforts. Wages and salaries to its employees are provided on the number of working hour basis. And the salaries are always expected to go up in coming times and various incentives and bonuses are also offered. The working environment for the employees is healthy. There are number of outlets of MCD and it needs to make sure that these outlets are at the prime locations and if one is not then it makes effort to make surroundings such that it becomes busy even

in non peak hours. MCD takes responsibilities towards its employees and distribution of the food items in MCD takes through the franchised outlets and restaurants. (Hoek, 2016)

Value propositions

The food products of McDonalds exhibit exceptional quality and value for the fund. It provides extraordinary fast service and is very consistent in its approach and behavior. The exposure and experience in the restaurant always suites the customer and is very reliable all over the world. According to Narver & Slater, in MCD the customer gets his value of money in two ways: firstly the customer gets more benefits related to his or her cost and secondly the expenditure of the buyer gets decreased relating to its benefits. For example, if a buyer orders a cheeseburger or extra cheese burger, then he doesn't have to wait for extra time. MCD offers fast service to its customers. McDonalds has established a unique brand image all over the globe. (Flamberg, 2015)

Primary values of MCD include the satisfaction of what customer wants and provide superior services. It also provides its customers a clean and welcoming environment to its customers at every restaurant all over the globe. It is only because of their values and commitments of their brand that McDonalds have been able to build such an image even in such tough competition where there are large number of competitors.

One of the competitors of MCD is Burger King. The brand image of burger king is also very strong. But the experience of customer may not be same in both the restaurants. A customer may find the product to be of a low quality and there is also a great difference in time taken to serve between both the competitors. The cost of time is much higher in burger king as compared to MCD. Although burger king might add extra taste in the form of grilled stuff but again the time taken is too much, whereas in MCD it is not the same, the product ordered is almost served instantly. A customer may not find it worth to wait for a long time. (Sandeem, 2016)

Customer relationships

MCD gives great emphasis towards the needs and wants of its customers and core values of McDonalds says a lot about the customer satisfaction. There are various customer benefit programs that the company has undertaken in order to maintain healthy relations with its customers. One of the beneficiary programs included in which the customers were eligible for a free food product (McMuffin). It tries to convince and attract the customers through the internet applications. For the kids it has "happy meal" which includes free toys inside the meal pack.

A customer is likely to be satisfied with the services of the company but even if a customer returns dissatisfied from the restaurant, and then he or she is pretty much likely to return to eat at

McDonalds. In “intent to visit again scores” MCD is marked with highest percentage around 65% consumers saying that they are very much likely to visit again. This is mainly because of the values and services and easily available locations of the company. The patrons tend to increase the image of the company drastically. Fast service, reasonable price, quality product and customer satisfaction also are the factors that are responsible for the same.

The fast food items available at McDonalds make one think and move towards his or her childhood. The company keeps on adding new things to its menu in order to attract new customers. MCD has been operating in number of countries and it always adopts the new environment and atmosphere of that area. Different cultures are also adopted by the company.

The surroundings are such that an individual likes to spend time in their irrespective of whether he is alone or with his family. There are also free Wi-Fi services and various restaurants for the customers and in order to improve customer relations (mainly with the young generation). (Mehta, 2014)

Channels

McDonalds in Australia has adopted the responsibilities towards the different environments. The understandability of the environmental impacts has improved drastically. The distribution or the supply chain about the suppliers has already been mentioned above. The company meets the customer satisfaction and channels of distribution for the customers mainly include the restaurants.

The different operations can be described as follows:

1. Operations carried on in outlets or restaurants.
2. Communication and cultural operations.
3. Partnerships operations.
4. Corporative operations.
5. Maintain continuity in supply chains.

The company generally reaches its customers through the restaurants chains. MCD maintains favorable environment for its customers. It tends to use eco friendly services and efficient use of energy resources. The company enhances the reduction of carbon dioxide gas (Co₂) by reducing the use of electricity. The company took part in the “Sydney Water Every Drop Counts” program in order to save the water usage. The restaurant takes great initiatives toward the cleanliness. It has set up number of bins in streets and close to the outlets. Water saving systems and energy saving systems has been installed at different restaurants.

Corporate systems and operations also follow the same steps as that of restaurants. Various facilities have been provided at different areas such as sensors in parking lot and water taps, flushing systems in washrooms.

There is continuity in the supply chain and MCD ensures the product quality for its customers. The fresh ingredients are supplied from the farms and the packaging designs are designed accordingly. MCD promotes its suppliers to save energy and water and eliminate the wastage of the resources and maximize its use.

The major channel used for reaching the customers is the restaurant chain and is the channel. The customers go to the different places to purchase their likings and enjoy it in the pleasing environment (neat and clean, eco friendly, favorable, preservation of the natural habitat).

A customer is allowed to give valuable feedbacks to the company and MCD looks into these feedbacks as a form of suggestions as well. Various score card forms are also available for the customers to give scores out of 5 or 10 on various points. Customer priority is the core objective and value for the company.

We focus on the atmosphere and it is a part of our culture and we take number of decisions every day and make changes. Consistent changes and improvement is a part of MCD operating in Australia. The company claims itself to have number of channels to provide information to the public about environmental care and initiatives regarding cleanliness and effective usage of resources. (Mymecca, 2016)

Customer segments

It describes the segmentation, targeting and positioning of company's food products or items on the customers.

Segmentation:

The general public of an area or country is divided based upon certain features and characteristics. The segmentation system used by MCD is as follows:

1. Based on geographical factors such as area and density of the population.
2. Age groups, sex, salaries, business, salaries and life cycle of one describes the demographical factors.
3. Behavior of the consumers comes under the behavioral factors such as loyalty, status, personality.
4. The lifestyle of the customers comes as psychographic factors.

Targeting:

After segmentation comes the targeting which means to identify a particular group of people from the segmented one to sell the food items. MCD identifies the market size and works for the profit accordingly. It positions different products for different segments and customizes accordingly. It has different seniors for different segments e.g. young, adults, moms, etc. (mindTools, 2016)

Positioning:

After segmenting and targeting the product there comes the positioning oneself into the market by using various marketing mix. MCD uses the appropriate 4p's approach and continuously according to the changing markets keeps on repositioning the products in the market. The franchise strategy document reads as "McDonald's has made itself to be the family friendly low cost restaurants in the fast food business. We have a narrow scope for a customer base and a low cost strategy".

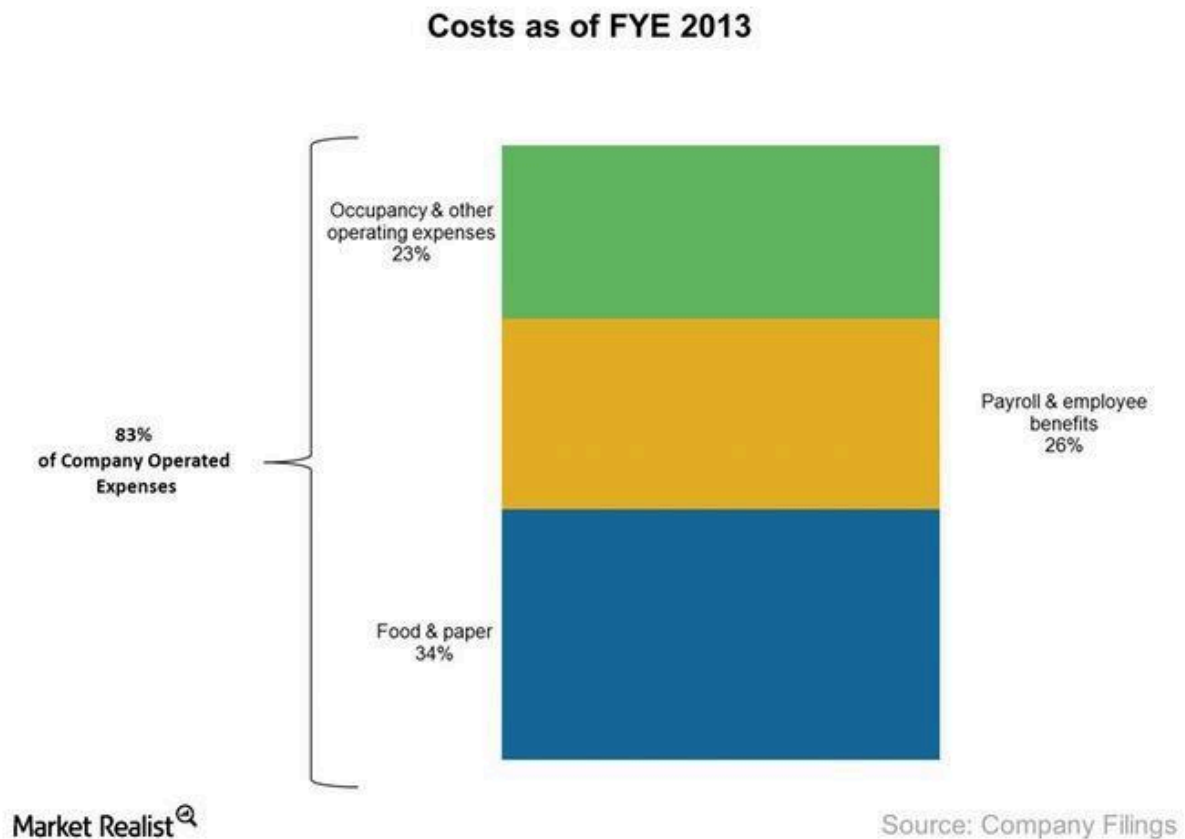
Type of segmentation	Segmentation criteria	McDonald's target segment
Geographic	Region	Domestic/international
	Density	Urban/rural
Demographic	Age	8 – 45
	Gender	Males & Females
	Life-cycle stage	Bachelor Stage: young, single people not living at home Newly Married Couples: young, no children Full Nest 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

Targeting of MCD towards its customers

(Source:

<https://mpk732t12016clusterb.wordpress.com/2016/04/10/mcdonalds-segmentation-targeting-and-positioning-strategy/>)

Cost Structure



(Source: <http://marketrealist.com/2014/07/must-know-mcdonalds-major-operation-costs/>)

The cost structure of McDonald's includes three major factors: cost incurred on food and packing material, incentives and salaries to the workers and other expenses.

Food and material Cost: The cost of food or raw materials keeps on varying due to the changes in prices of the factors such as import and export, food products, and other non veg products. In order to make its fast food products, the company requires materials such as vegetables, poultry foods and other number of items from number of suppliers. Recently, the prices of beef has changed drastically and it continues to increase around 9% to 13% every year and this affects the company in a great manner.

Employee pay and incentives: There are number of employees working under McDonald's and the company has to incur expenses in the form of salaries and incentives and these salaries and incentives does not remain fixed, these are continuously increasing. The company cannot recover these expenses from the customers by continuously increasing the price of its products as this may result in loosing of the customers. Almost all income groups enjoy the food at McDonald's. If the government increases the minimum wages then it puts extra burden upon the company. This

increase in minimum wages will increase the purchasing power of the low income customer but he will end up paying high price for the food.

Occupancy and other expenses: McDonald's performs its operations within an area and to acquire such area it has to pay render certain expenses in the form of rents, tax, insurance, etc. Such kind of expenses usually remains same as it is in the form of lease agreements or the company owns the land or building itself. (Ambrosesmith, 2016)

Revenue Streams

There is stiff competition between the MCD and its competitors. It has competition in the same food chains. It has competitors namely: YUM, WEN or Wendy's, Domino's, burger king, jack in the box or simply JACK Chipotle Mexican grill (CMG), cake factory, bread company and there are many more in this field.

The revenue growth for the company has been on the right track. It shows sustainable growth. It ranges from -3.3% in 2009 to 12.18% in 2011. Net income is different for revenue growth. There has also been substantial growth in the revenue systems of the company with low of -0.7% in 2009 to around 11.3% in 2011. Return on capital or return on equity shows stability.

MCD has made an increase in the leverage department since 2009. After 2013, debt equity ratio was around 0.9x (0.88x to be specific) i.e. if there is a investment in the company of \$20000 for five years, then it would r5eturn a total of \$32254 after five years, which is 88% for five years.

Strengths:

The affordable or low cost menu of McDonalds has been the biggest strength for the company and it has been able to attract large amount of customers to it. There are both high and low priced items in the menu and this trend might decrease the sales of the high priced items and the company have to compromise with the profits. MCD makes the purchase of raw materials in huge quantities and this helps in reduction of the cost and eventually helps the customers as they will be getting the products at low cost.

MCD has number of outlets all over the world and it enjoys all the such advantages in the restaurant industry. The interesting fact is that it does not have any outlet in China. It has acquired the benefit of the "first mover" all across the globe.

Weaknesses:

The biggest weakness of MCD is that it is in the line of fast foods. Usually the public doesn't like to have too much of junk foods. People are health conscious. Although MCD makes sure of its quality but generally public avoids consuming junk foods as it affects the health. There is fierce competition

in the market. There is not proper balance of meals. The employees also do not get appropriate salaries.

Economic recession:

Due to recession, the revenue of the company is affected. This has an impact on the retailer sales as the individuals start spending less thereby less visits to the food joints. (Revenue, 2016)

Recommendations

Recommendations can be brought forward by the looking at the weaknesses. The company should target highly populated zones like Asia. The company should implement a strategy that should focus on covering big cities with high population. According to a survey, Japan is the only Asian country which has ample number of McDonald's restaurants. On the other hand China which has the highest population in the world can have more restaurants. According to recent figures China stands on ninth position among the countries which have McDonald's restaurants with around 1000 restaurants whereas US alone has 14000 of these. Thus in my opinion the company should focus on capturing the Asian market and reap the benefits of its high populace.

The company can explore options other than fast foods. For example, McDonalds has a unique hotel in Zurich, Switzerland. The company can try to open up these in other parts of the world too where it can have an exclusive McDonalds menu. It should try to increase more of its restaurants across the globe.

Conclusion

This project comprises of the summary of McDonalds operating in the Australia. It gives the brief details about the partners, the supply chain and the customer supply chain. Values are very important for MCD. It uses its resources very effectively and avoids the wastage of such. It maintains friendly relations with its customers. The cost structure and the revenue structure are also described above. The customers are divided into various segments and each segment is positioned and targeted with different food and beverage items. The strong points and weak points are mentioned along with the appropriate recommendations are provided for the betterment.

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