THE GOLDEN ARCH ANALYSIS

Antonio Combs

Tiffin University

CURRENT STATUS OF THE ORGANIZATION

Mission

“Yet somehow this previously sound business strategy had unintentionally led the company to become an icon for much of what was wrong with global business” (DeMarie, Manhart & Shrader). The McDonald’s corporation wants to implement changes to their company’s strategy to rebuild the brand on the global stage. In the process they also wanted to separate themselves from the constant blame of aiding rising heart problems and obesity due to the menu. “More recent changes to the menu have proved effective. McDonald’ realized that many of today’s customers seek healthy food options, and the Corporation has offered items accordingly” (Dhavale, 2012). Therefore, McDonald’s committed to providing a more balanced menu for those who may deal with obesity along with their general customer base. In order to do so McDonalds added healthier items to the menu at a cheap price. The healthier choices on the menu would give them the chance to separate themselves from the negative exposure. The other side of the menu that helps in term of balance is incorporating international menus with their own. By doing so McDonald’s was attempting to expand its customer base

Recent Strategies

Even though making additions and expanding the menu was a part of McDonald’s mission it was also a very valuable strategy. Expanding the menu and incorporating international style prevented McDonald’s from being labeled a global powerhouse as they once were. The updated menu was not intended to only satisfy U.S. customers, but also countries where McDonald’s operated their business.

One of McDonald’s most important strategies was broadening their global appeal and adapting to host countries, which allowed them to become important in different regions. When they started to expand globally in 1967 they constantly entered to new markets adapted to overcome obstacles. The international opportunities gave McDonald’s the chance to apply the time profit model as a part of their rebuilding process. They had no choice but to innovate due to the constant challenge. As the company innovated it helped them to enter new markets very quickly due to their rise in appeal on the global stage.

INTERNAL ANALYSIS

Strengths

In order to become the largest fast food restaurant it takes a lot of strengths to reach that level of success. McDonald’s obviously has many strengths that allows their business to thrive. One of the main strengths they have and take pride in is customer experience. “Because of standardization, customers initially were and today still are certain of the experience they will receive, regardless of the McDonald’s location they visit” (DeMarie, Manhart & Shrader). McDonald’s can ensure great service to their customers by using operating standards they label QSV&C, which refers to quality, service, cleanliness, and value.

The service customers experience when they visit McDonald’s makes their time worthwhile and keeps them interested. McDonalds obviously has a strong customer base; however, the expanding of that customer base is another strength of theirs. The wider range of customers can be contributed factors such as their menu expansion, global expansion, and also adaptability. When McDonald’s made changes to the menu it allowed them to reach out to customers who appreciated healthier choices. It also allowed them to grow their customer base and business in other countries because they satisfied foreign customers wants. This was helpful because instead of enforcing the American style they eliminated concerns countries had about food on their menu. The small gesture of adapting to each countries ways in terms of restaurant and food styles would go a long way for McDonald’s.

Adapting to and developing approaches specific for each country helped them overcome challenges they faced in certain countries and operate in dynamic environments. McDonalds not only made their business better in other countries, but overall. By taking the initiative to adapt no matter the situation it made it easy for them to operate wherever they desired. Even if the situations or conditions were not ideal when entering a new market McDonald’s placed themselves in a position to operate. In other words operating in other countries would have been difficult if they were not able to adapt in the fashion that they did

Weaknesses

If McDonald’s would have stuck to their standardized approach they would not have been able to constantly expand globally. Even though the standardized approach helped them become the largest fast-food restaurant it ended up as a weakness. As previously stated the strategy led the company to become the icon for problems of a global business.

DeMarie, Manhart & Shrader found the following: The original “American” appeal eventually wore off and concerns grew regarding fatty diets. Scares over mad cow disease and a growing anti-American sentiment strengthened the negative image of McDonald’s global “powerhouse” in terms of food. Attacks and protests directed at the company increased.

The initial standardized strategy was initially a problem in terms of global expansion. In order to regain the company image and operate globally McDonalds had to basically rebuild their strategy.

Another weakness for McDonald’s seemed to be lack of initial suppliers in the foreign market. It caused McDonald’s to change their approach for their global mission. They had to wait for suppliers to upgrade or move overseas in order to serve to the foreign market.

Low barrier to entry is a negative for McDonalds. The reason being is all a company needs to compete with them is similar food and a market to operate. As long as there are other fast-food restaurants McDonald’s will have some sort of competition. Despite the constant competition the company will not face any threats because competitors don’t compare with McDonald’s on a financial level.

EXTERNAL ANALYSIS

Opportunities

McDonalds sits at the top of the fast food chain and has many opportunities to stay there. The best opportunity for the company may be innovation. In recent history they have took the initiative to do so. However, as the demand for healthier food continues to increase due to the increase of obesity McDonalds can continue healthier food choices. If they get comfortable with just a few changes to the menu negative publicity may not go away because the unhealthy items probably still outweigh the healthy items. If McDonalds continues to introduce more healthy choices to the menu their weakness could very well become a strength

Global expansion is an opportunity McDonalds had already seized, but there are still opportunities of expansions into newly developed parts of the world. “Emerging markets such as the APMEA region (Asia Pacific, Middle East, and Africa) grew 18% in sales from 2010 to 2011” (Ryan, 2013). Markets in this part of the world may not be on the same level as other parts of the world, but they are obviously making progress. Therefore, it is a good opportunity for McDonald’s to expand into their regions if they haven’t done so already. It would help them even more in terms of rebuilding their global brand.

With past success and recent changes in strategy McDonald’s has a chance to be more appealing to a new customer base. The expanded menu represents a new focus in terms of serving healthier foods. That may be very appealing to those who view McDonald’s menu as a health hazard. It gives them a chance to reach out to those who needs are met with healthier choices. Another customer group McDonald’s can tap into is that of their competitors. “McDonald’s competitors Wendy’s and Burger King were struggling with their menus, experiencing low growth, and dealing with the possibility of being acquired” (DeMarie, Manhart & Shrader).With competitors struggling and McDonald’s in the process of revamping the company they have a chance to acquire a new customers with their improved strategy.

Threats

Even though the world leading fast food restaurant has many opportunities it also has a few threats that could face in the future. McDonald has placed the company in a position to become a saturated nature of business in the developed countries. “The fast food market in the developed countries is already overcrowded by so many fast food restaurant chains and this already proves to be a threat to McDonald’s as it barely grew through 2012” (Ovidijus, 2013). With the fast food marked being crowded and the company already having a numerous spot they don’t have much more space to operate. It makes even more since for McDonald’s to make an attempt to seize an opportunity in the emerging markets. They already expanded into the developed countries, why not expand into the developing countries?

Health concerns have been a problem for McDonald’s in the past and may continue to be a concern in the future. “Due to government and various organizations attempts to fight obesity, people are becoming more conscious of eating healthy food rather than what McDonald’s has to offer in its menu” Ovidijus, 2013). Even though McDonalds has taken the initiative incorporate healthier choices into their menu it still has items that are not favored when it comes to health. Therefore, it could cause some customers to find an alternative.

The down turn in the economy can be a threat to McDonalds. With the economic downfall there are many people who cutting back on eating out. Even though McDonald’s is night over the top with prices the fact still remain that their food cost money. In other words, they will be directly affected due to economic situations.

STRATEGIC ISSUES

McDonalds’s strategy has been a success overall. However, the company may face a few issues in the near future. The constant increase in food prices is an issue McDonalds and any other fast food restaurant may have to adapt to. With the higher food cost the company will most likely have to raise their prices eventually. The recent expansion of the McDonald’s menu was not only about the food, but about the price. They wanted to keep moderate prices and of course their dollar menu. The dollar menu has been a huge success for the company, but it may have to make some adjustments in the near future. One adjustment may have already occurred when the price of double cheeseburgers increased. They used to be a part of the dollar menu, but they are not anymore and has been replaced by a very similar sandwich. That may just one example of a changes to an item price due to the rise of food prices. The inflation of food prices are also causing a slower earnings growth for McDonald’s over the last couple years. Therefore, McDonalds have to make some changes their famous dollar menu or raise prices in general to offset the increasing food costs.

One of the best choices McDonalds made was taking the initiative of broadening their global appeal to become relevant to local and regional preferences. It allowed them to expand and thrive on the global stage as they innovated their strategy and adapted to other countries ways. However, the constant expansion of the company in the global market has made the market saturated. The company’s growth could become stagnate in the future seeing that it barely grew in 2012. It had was almost a given to see great improvement from McDonald’s each quarter; however, that has not been the case as of late. The sales and earnings results have been less than normal and the saturation in the market along with increasing competition. “McDonald’s must reach for the two other segments of the world economy, which will require a more localized menu that may erode its scale advantage,  pitting it against local competitors at the same time” (Panos , 2013).The crowded market could cause McDonald’s to become stagnate because they can’t expand much more in the same market. As the markets stay saturated the company’s growth will slow down and allow the chance for competitors to catch up to an extent.

STRATEGIC PLANNING

Long & Short-term goals

The McDonald’s Corporation has continued to grow since they initially opened in 1955. When the company first started it created opportunities to be one of the best fast food restaurants. As time has passed and the company has made great strides it looked to become the best restaurant in the fast food market. In the process they also wanted to create a brand that customers would always appreciate and be loyal to. McDonald’s has always had the goal of being a customer favorite when it comes to having a place to eat and drink. Over time they have been able to accomplish that and more. Once they reached a high level of success they had plans to continue to grow and even expand globally. Therefore, one of their long term goals was to develop the proper strategies that would allow them to expand in the global market. After facing many obstacles McDonalds has also completed that goal and made their company thrive in many regions.

The rebuilding of the McDonalds brand called for many changes that would have to be applied over a short span. Every change that the company made was needed in order to meet important short term goals. The most important short term goal was incorporating healthier items into their menu to get away from the negative attention about their food. Seeing that McDonald’s is known for its hamburgers and fries it is easy to point to them as a reason for the increase of obesity. The addition of the healthier items give them a chance to lose that association. One of the other things McDonald’s had to do over a short span was find a way to get their local suppliers in the foreign market as they expanded. It was not the hardest task due to their supplier relationships. However, the lack of suppliers in the foreign market made it more difficult than they thought it would be initially

Alternative Strategy

When it comes to McDonalds and their global expansion process it could have been carried out a little differently. Even though it has helped them become a valued business partner in each region it may have helped if their approach was slightly different. The company has entered a new market almost every year since 1967, which has put them in the situation they are in now in terms of saturation. It’s make since for the company to constantly enter the market. However, they could have entered new markets at a slower pace than they did over the last 40 years. Instead of entering new markets every year the company could have at least entered a new market every two years. By stretching out the time frame of entry it may have prevented them from facing so many obstacles over and over. Even though every country presents different challenges the year in between could have been their time to adapt and prepare for future obstacles. It would have also allowed them to scan the markets they wanted to enter so they could forecast future challenges and go about preparing a strategy

The slower pace of market entry would have prevented a saturated market in the long run. However, McDonalds may not be the company that they are now with that approach. By entering markets at a slower pace it could have allowed intra-industry mimicry. That would have prevented McDonalds from being head and shoulders above their competitors because the fast food industry already has a low barrier to entry. The slower pace would have also opened the window for competitors to become second movers because of vicarious learning based of the moves McDonald’s made.

Alternative Strategy Two

As McDonald’s has continued to grow internationally so has the impact that they have on the cultures in the region they operate. The response to the company’s increasing impact has not always been one to be satisfied with. In other words, the company has faced a lot of resentment from host countries because of the strain and impact it has on host countries.

Therefore, McDonald’s should have took initiative toward corporate responsibilities sooner. “New socially responsible initiatives would help maintain the company’s reputation abroad” (DeMarie, Manhart & Shrader). If the company had took the initiative to better their reputation abroad when they initially faced problems maintaining wouldn’t be a problem now. By doing so earlier it would allow them to focus on a different situation instead of having to constantly deal with international issues.

CONCLUSIONS AND RECOMMENDATIONS

McDonald’s has constantly expanded and in the process become the world’s largest fast food chain restaurant. It’s hard to actually point the finger at some of the things that they have done wrong. The company eventually adapted, innovated, and continued to growth through each obstacle. The company has built a good overall reputation they continues to keep them above their competition. Their reputation has also helped them at time when it seem as if they were hurting themselves with certain decisions. It has allowed them to adapt quickly to constant changing environment, while also successfully expanding globally.

Standardization may have been one of the best strategies for a fast-food restaurant to build their company. Seeing that McDonald’s made their way to the top with standardization it’s difficult to argue the strategy. It has had problems as they attempted to expand globally, but without the business practice of standardization global expansion may not have been possible. Even if possible McDonald’s would not have been had the opportunity to thrive the way they did or as quick as they did.

In terms of global expansion, the strategy of pacing when entering a new market should be followed. If McDonald’s entered the markets at a slower they have prevented from be labeled a global powerhouse. It would have prevented the anger of host countries all at once because they would not have been forcing the American culture so quickly. That could have gave them a chance to keep their standardized strategy, but still innovate as they scanned markets. Instead they had to rebuild their strategy and innovate in order to fulfill the need and lifestyles of the regions they operated in.

REFERENCES

DeMarie, S., Manhart, P., & Shrader, C. (n.d.). Mcdonald's: From big mac to p'tit plaisir. 207.

Dhavale, P. (2012, February 18). *Mcdonald's marketing strategies*. Retrieved from <http://www.slideshare.net/pridhavale/mcdonalds-marketing-strategies>

Ovidijus, J. (2013). Strategic analysis of mcdonalds.*Strategic Management Insight*, Retrieved from <http://www.strategicmanagementinsight.com/swot-analyses/mcdonalds-swot-analysis.html>

Panos , M. (2013, 7 22). Mcdonald's big challenge at home and abroad. *Forbes*, Retrieved from <http://www.forbes.com/sites/panosmourdoukoutas/2013/07/22/mcdonalds-big-challenge-at-home-and-abroad/>

Ryan, G. (2013). Mcdonald’s: Strengths, weaknesses, opportunities, threats. *The Motley Fool*, Retrieved from <http://beta.fool.com/makinmoney2424/2012/11/08/mcdonalds-strengths-weaknesses-opportunities-threa/16000/>