CAPITALIZING ON A LEGACY & RE-CONNECTING WITH THE MCDONALD'S CUSTOMER

Fusion Consulting

FUSION CONSULTING

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MCDONALD'S IDENTITY CRISIS

Although detailed and well-though out, The Turnaround plan ignores operational issues and doesn't provide a clear brand image and target customer

McDonald's needs a **drastic plan** to ensure shareholder, franchisee and most importantly customer satisfaction.
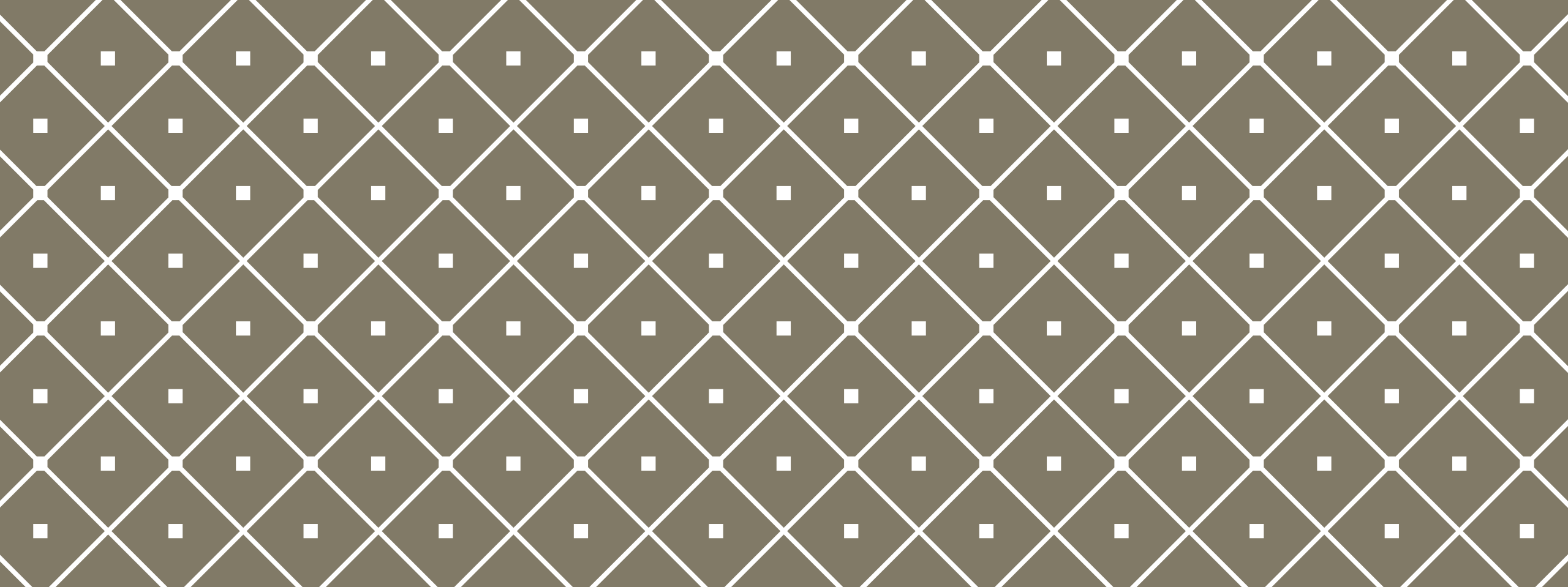
"…The world has moved faster outside the business than inside it"

Let us help you change that

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RECOMMENDED PLAN

Return to the **core** **McDonald's brand** and get to know the customer again.

1. Remove complex menu items, focusing on burgers & fries, but including quarterly customer-led innovations

2. Implement McVIP program to drive loyalty and collect customer data

ISSUES

MCDONALD'S ISSUES

Increasing competition

Customer satisfaction due to slow service

Unknown target market

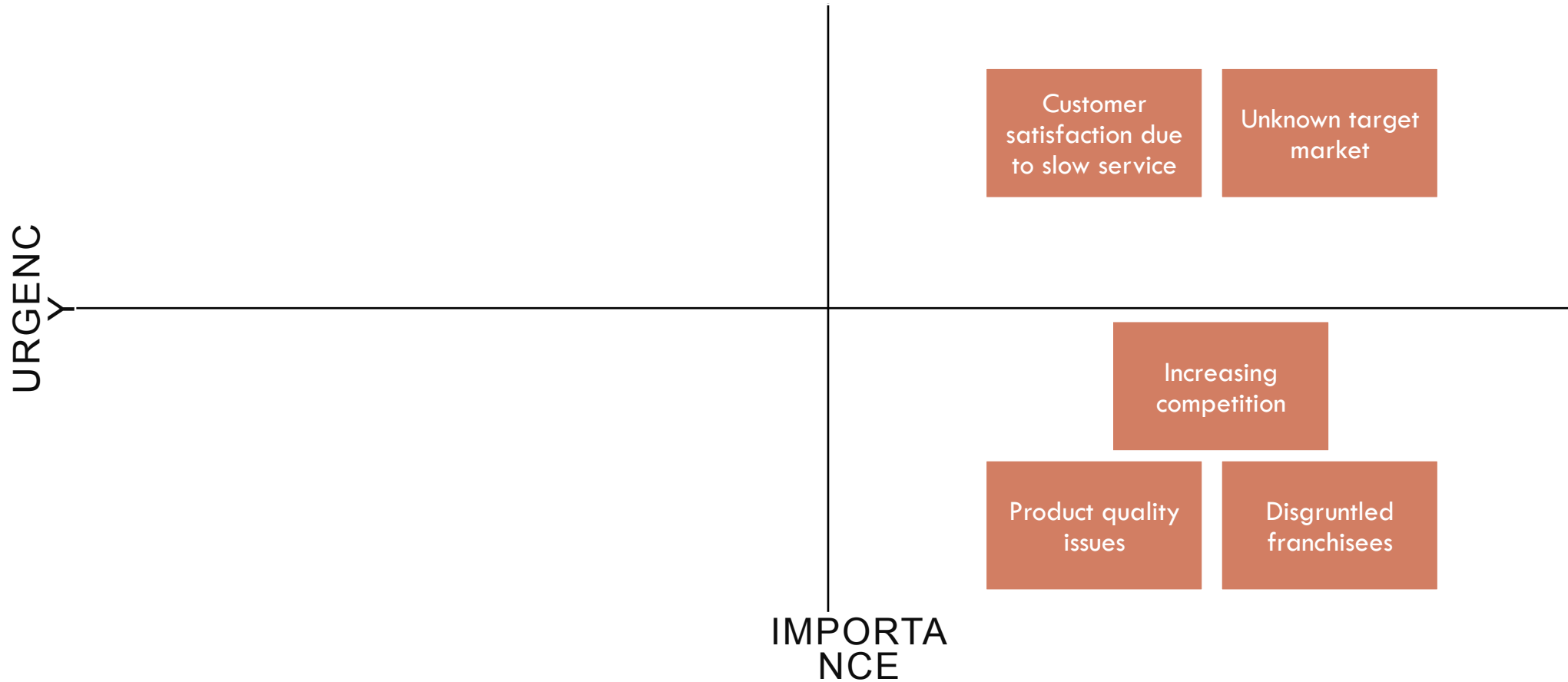Product quality issues

Disgruntled franchisees

Issues | Analysis | Options | Action Plan | Contingencies
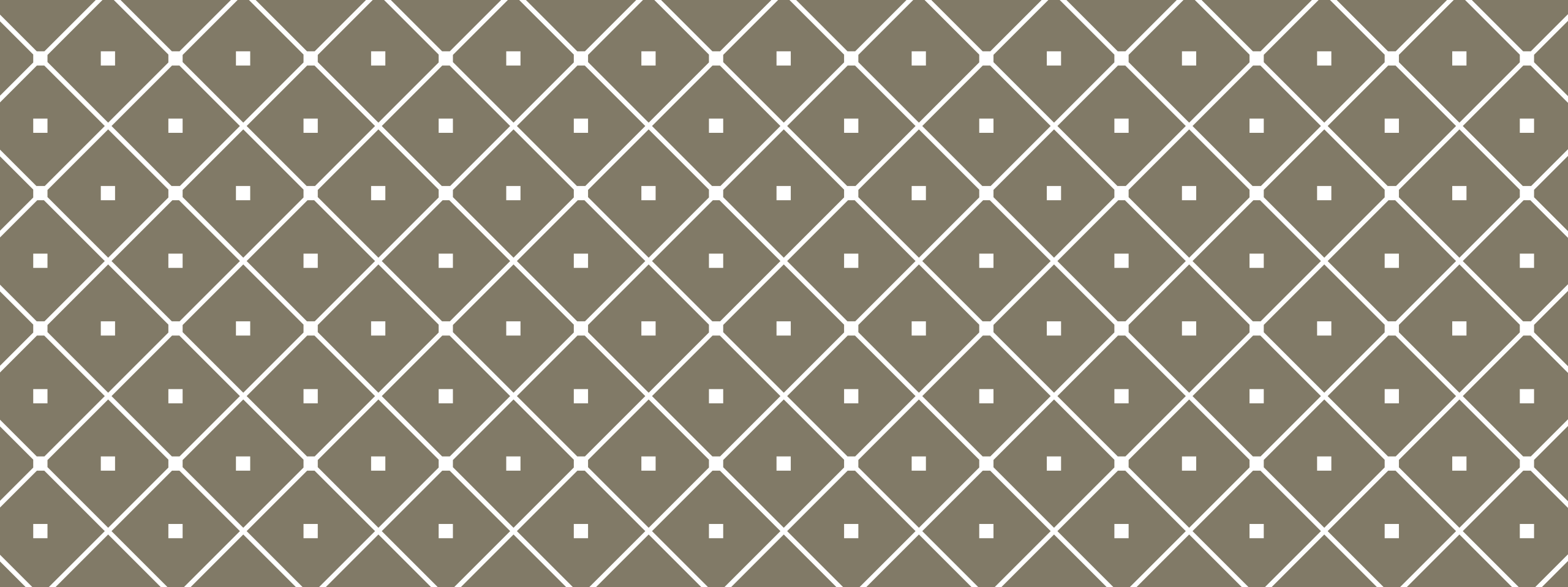
MCDONALD'S ISSUES

URGENCY

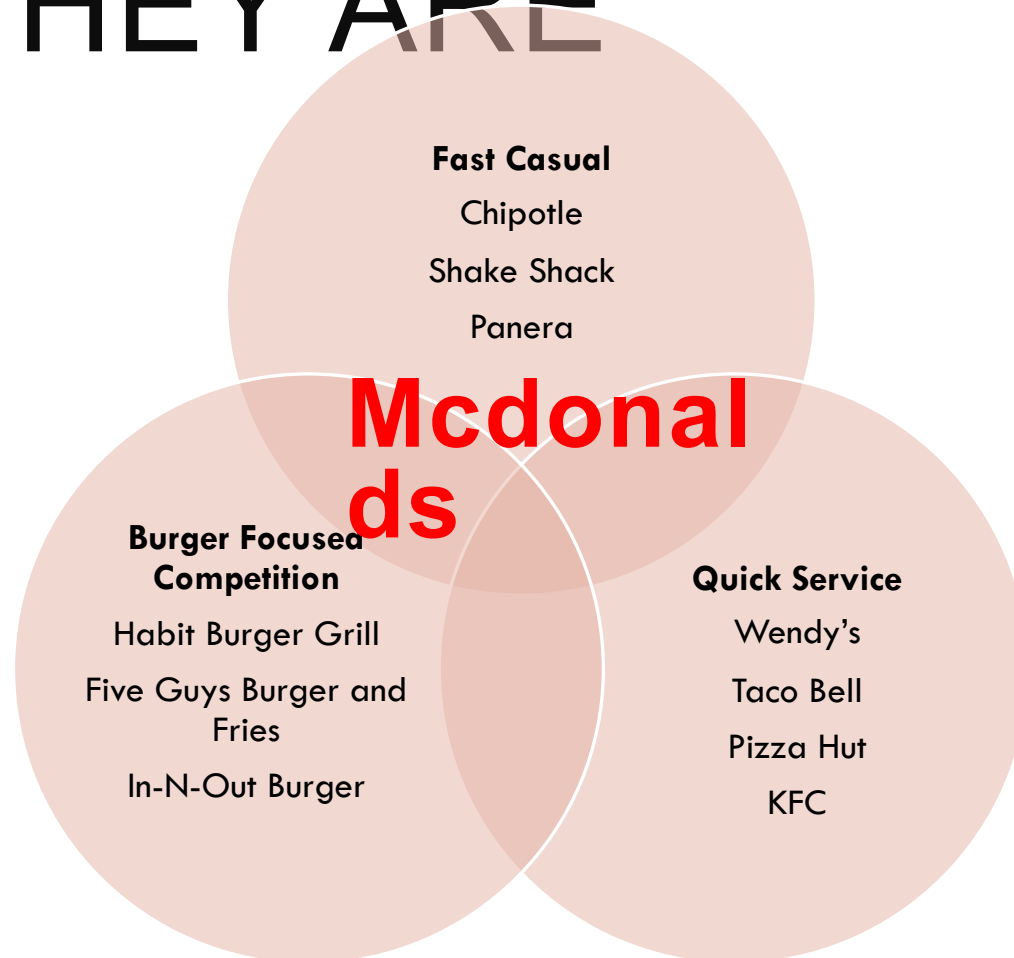IMPORTANCE

Customer satisfaction due to slow service

Unknown target market

Increasing competition

Product quality issues

Disgruntled franchisees

Issues | Analysis | Options | Action Plan | Contingencies

ANALYSIS

COMPETITORS – THEY KNOW WHO THEY ARE

Fast Casual

Chipotle

Shake Shack

Panera

Mcdonalds

Burger Focused Competition

Habit Burger Grill

Five Guys Burger and Fries

In-N-Out Burger

Quick Service

Wendy's

Taco Bell

Pizza Hut

KFC

Key Takeaway: Because of the McDonald's wide product offerings they compete in many markets against very specialized, focused competitors

Issues | Analysis | Options | Action Plan | Contingencies

WHAT DOES THE MODERN CUSTOMER WANT

✓ Want good quality food that is not mass produced

✓ Less frequently eat greasy products (more health focused)

✓ Like customizable & innovative products

✓ Like things that make them look healthy & savvy

Key Takeaway:
In an attempt to capture this market McDonald's is alienating it's loyal, target customer who is interested in low-priced quick service
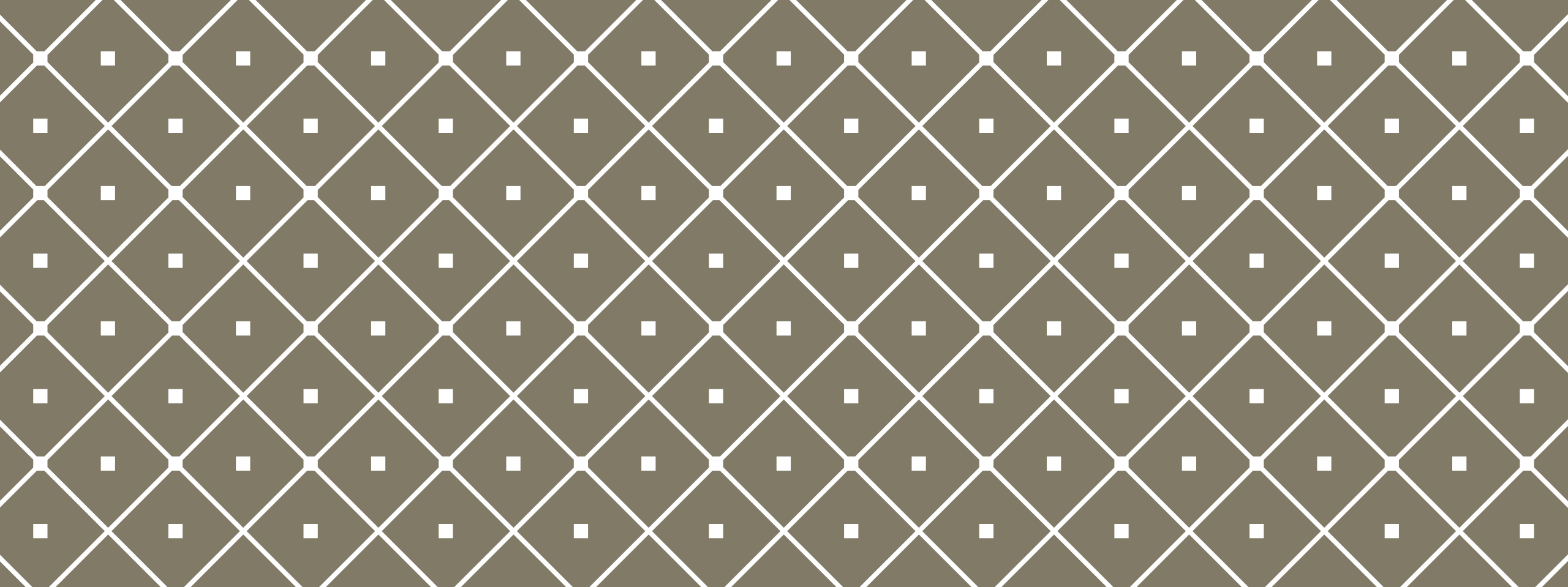
OPTIONS

A BRAND THAT FOCUSES ON THE CUSTOMERC

1. Evolve to be Higher-end brand by eliminating dollar menu

2. Give franchisees autonomy to choose menu size/items to tailor to specific markets

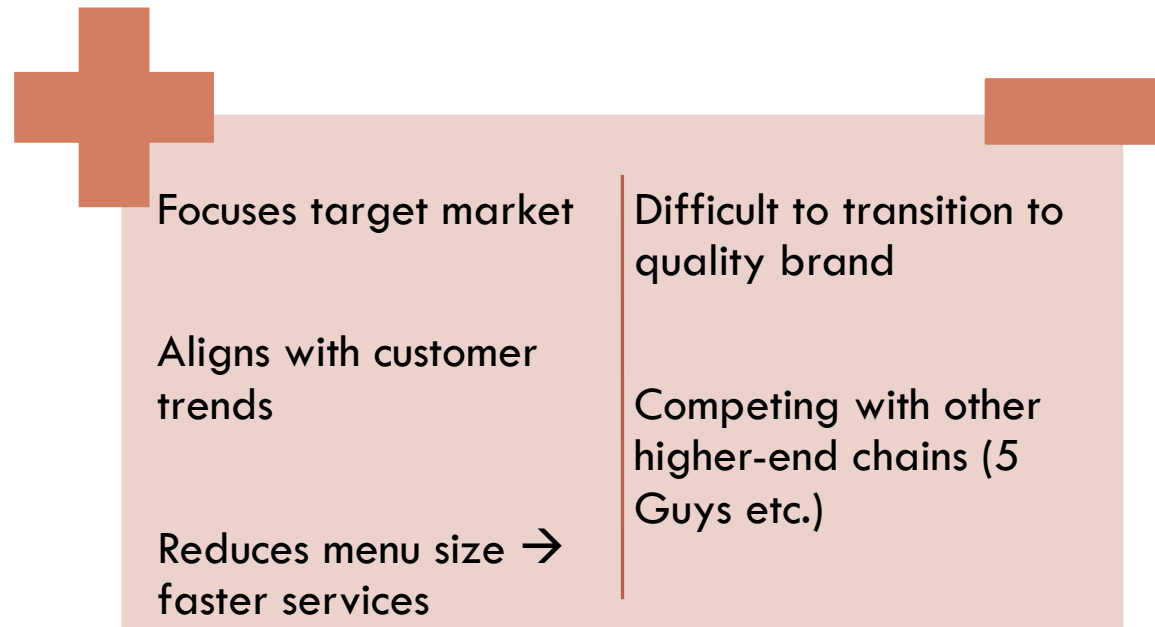3. Focus on the **core brand** & introduce **McVIP loyalty program**

Issues | Analysis | Options | Action Plan | Contingencies

EVOLVE TO BE HIGHER-END BRAND BY ELIMINATING DOLLAR MENU

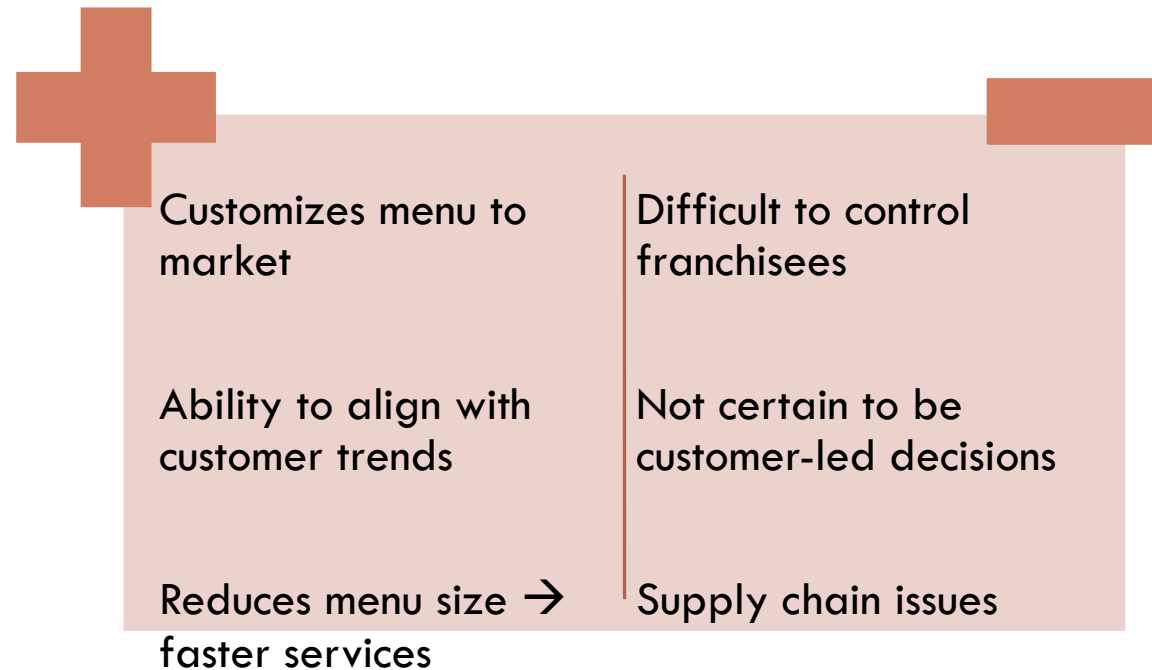| Focuses target market	Difficult to transition to quality brand
Aligns with customer trends	Competing with other higher-end chains (5 Guys etc.)
Reduces menu size → faster services	

Issues | Analysis | **Options** | Action Plan | Contingencies

GIVE FRANCHISEES AUTONOMY TO CHOOSE MENU SIZE/ITEMS TO TAILOR TO SPECIFIC MARKETS

Customizes menu to market	Difficult to control franchisees
Ability to align with customer trends	Not certain to be customer-led decisions
Reduces menu size → faster services	Supply chain issues

Issues | Analysis | Options | Action Plan | Contingencies

FOCUS ON THE **CORE BRAND** & INTRODUCE **MCVIP LOYALTY PROGRAM**

Refocuses brand, capitalize on legacy	Operational issues with transition away from complex items
Reduces menu size → faster services	Lost sales due to menu decrease
Reward customers & boost sales	No experience with loyalty programs/success
Data-driven decision making	
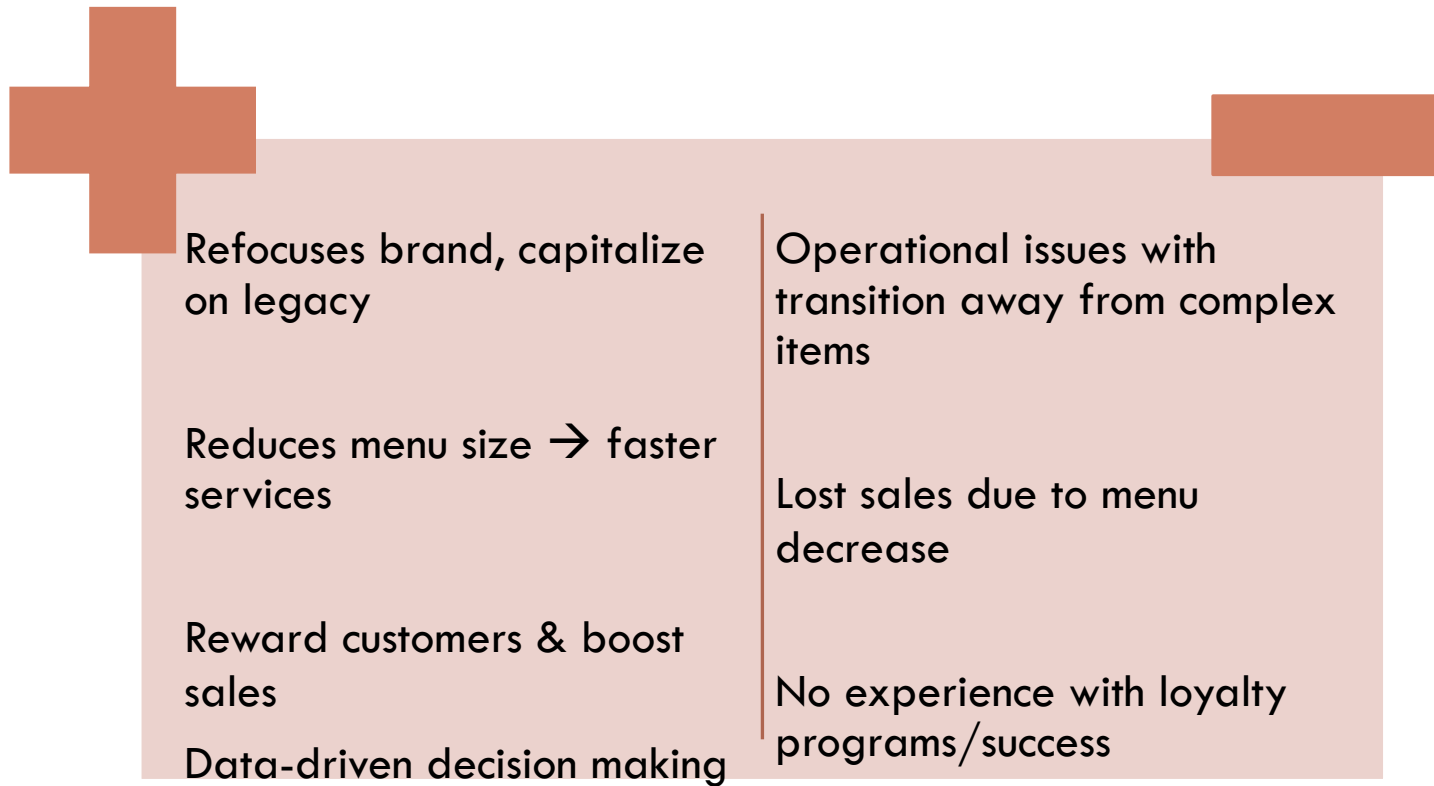
Issues | Analysis | **Options** | Action Plan | Contingencies

THE RIGHT OPTION FOR MCDONALDS

	Weight	Core 'Burger' Brand & McVIP	Higher-End Brand	Customer-Led Branding
Unknown target market	0.3	5	3	4
Quality issues	0.3	4	5	2
Slow service	0.15	5	2	4
Increasing competition	0.15	5	3	2
Disgruntled franchisees	0.1	4	1	5
		4.6	**3.25**	**3.2**

RECOMMENDED PLAN

Return to the core **McDonald's brand** and get to know the customer again.

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2. Implement McVIP program to drive loyalty and collect customer data
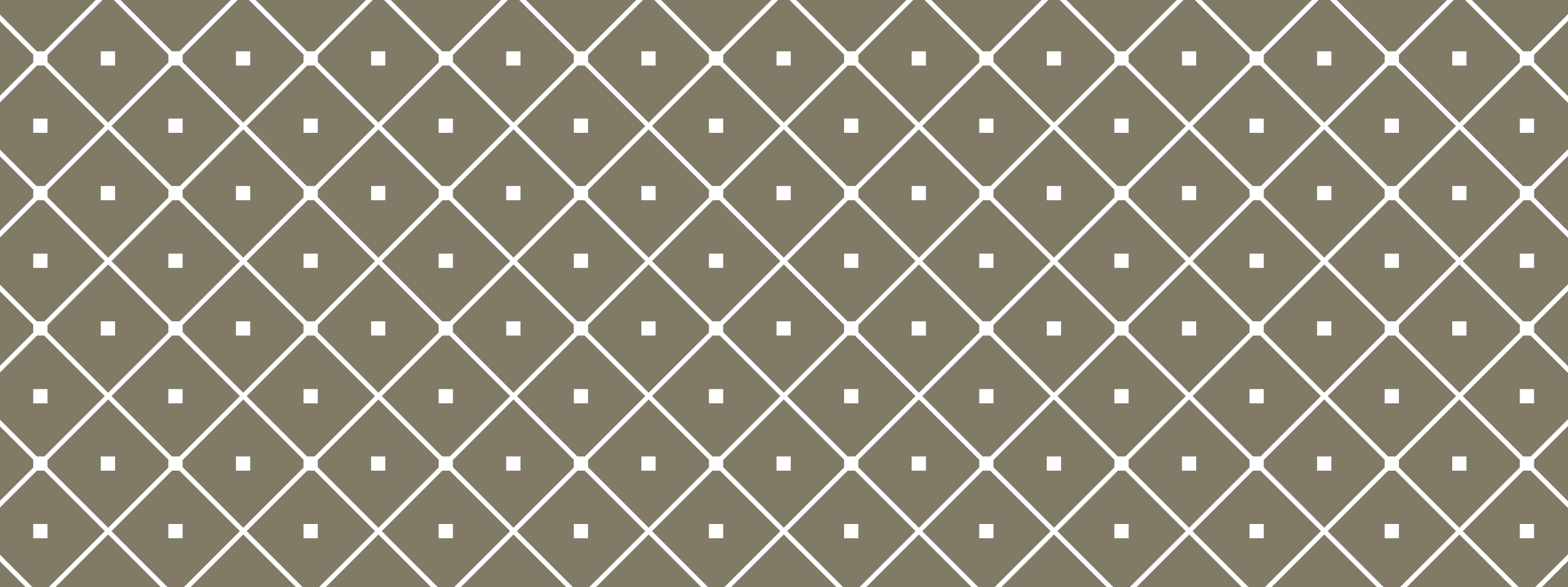
ACTION PLAN

SIMPLIFY THE MENU

McDonald's Classics

Regular breakfast hours

One quarter pounder

One snack wrap

One chicken sandwich

Successful annual items based on seasonality and local markets (i.e. McRib, McLobster)

Two innovations annually in each individual market based on consumer preference

PRODUCT QUALITY

Ownership of Quality

Hire a Chief Food Technologist (CFT) with corresponding VP's for each of the four new identified markets

Supplier Partners

Create a list of potential partners appropriate to serve McDonalds in the case of a quality issue with a current supplier

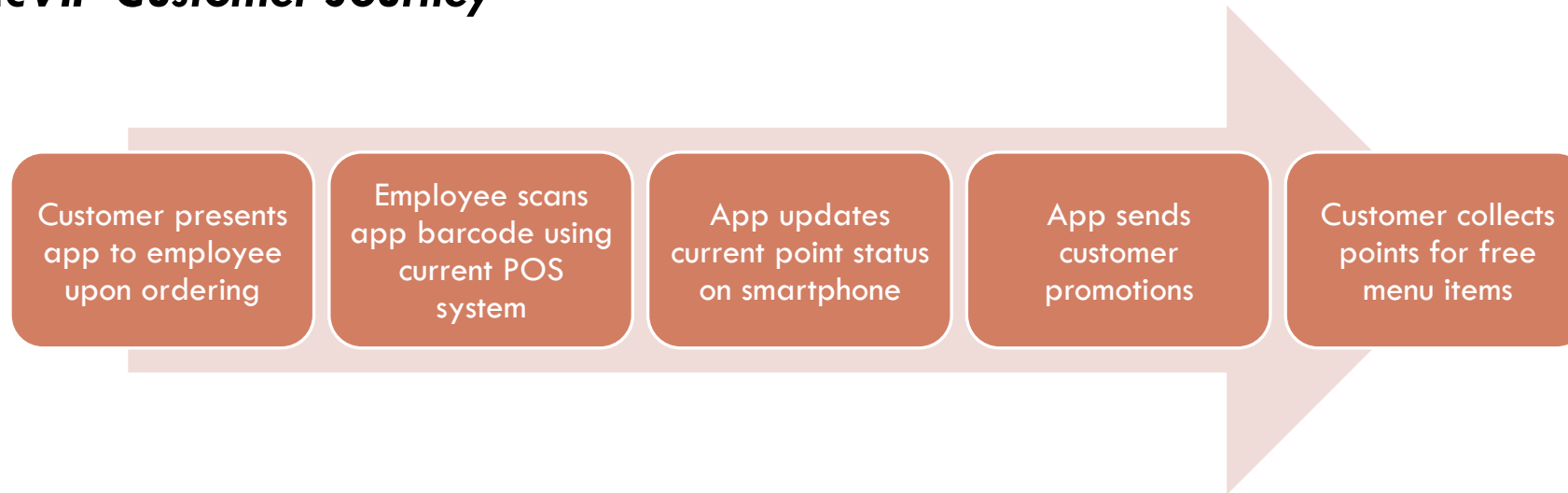Work with current partners to improve upon food quality standards

BUILDING CUSTOMER LOYALTY

McVIP

Introduce a new app that allows customers to track their visits to McDonalds and obtain points to be used towards free products

The McVIP Customer Journey

| Customer presents app to employee upon ordering | Employee scans app barcode using current POS system | App updates current point status on smartphone | App sends customer promotions | Customer collects points for free menu items |

Issues Analysis Options Action Plan Contingencies

HOW DOES MCVIP BENEFIT MCDONALDS?

Customer analytics

McVIP will provide information on when the customer visits (seasonality, promotions, new item releases, marketing campaigns, etc.),

McVIP will provide information on what the customer purchases and in what quantities.

McVIP Gold Member

The top 10% of users (by frequency) will be invited to new product launches will a free promotion of the new menu item

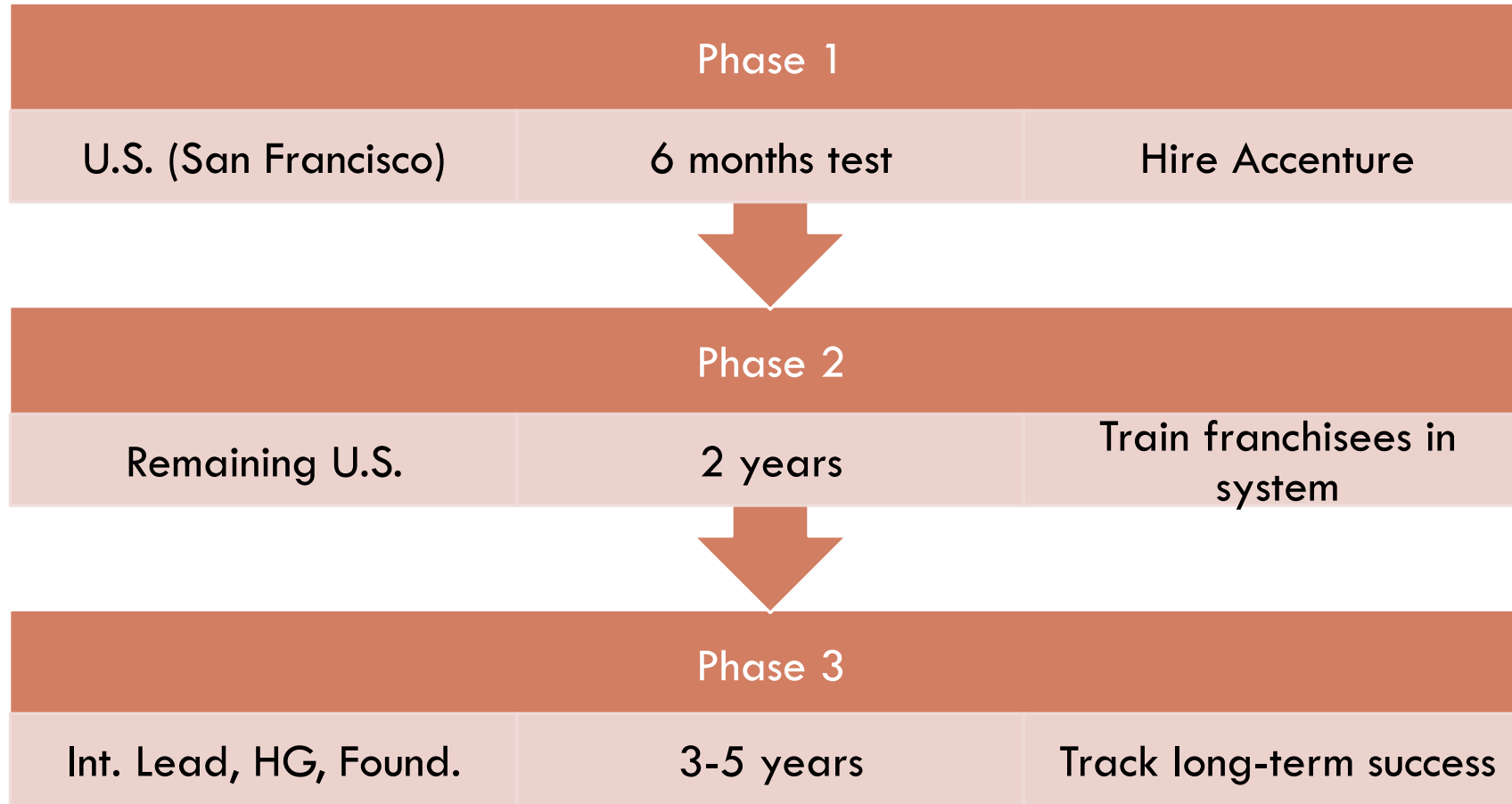The McVIP Gold Member will allow McDonalds to identify its core market

THE MCVIP LAUNCH

Phase 1		
U.S. (San Francisco)	6 months test	Hire Accenture

Phase 2		
Remaining U.S.	2 years	Train franchisees in system

Phase 3		
Int. Lead, HG, Found.	3-5 years	Track long-term success

Issues › Analysis › Options › Action Plan › Contingencies

ACTION PLAN TIMELINE

6 months – 1 year
- Phase 1 of loyalty launch
- Simplify the menu
- Begin recruitment for CFT and team

1-2 years
- Phase 2 of loyalty launch
- Hire CFT and team
- Monitor customer sentiment regarding removed menu items

2-5 Years
- Phase 3 of launch
- Increase supplier base by 10%
- Assessment of loyalty program and impact on brand

Issues > Analysis > Options > **Action Plan** > Contingencies

APPROXIMATED COSTS FOR PLAN

Quality Food Team

Chief Food Tech	$200,000
4 VP Food Techs	$450,000

McVIP

Hiring consulting firm & developing program	$15,000,000

Total	**$15,650,000**

A MODEL FOR IMPACT

Canadian Tire recently launched their MyCT money loyalty program to boost target customer sales and better understand their customer

After beta-testing the program in Nova Scotia, they launched it across Canada and realized a **15% increase** in target customer (Active Family) sales in Q1 2015.

They are now using the data to make inventory, merchandising and product innovation decisions.
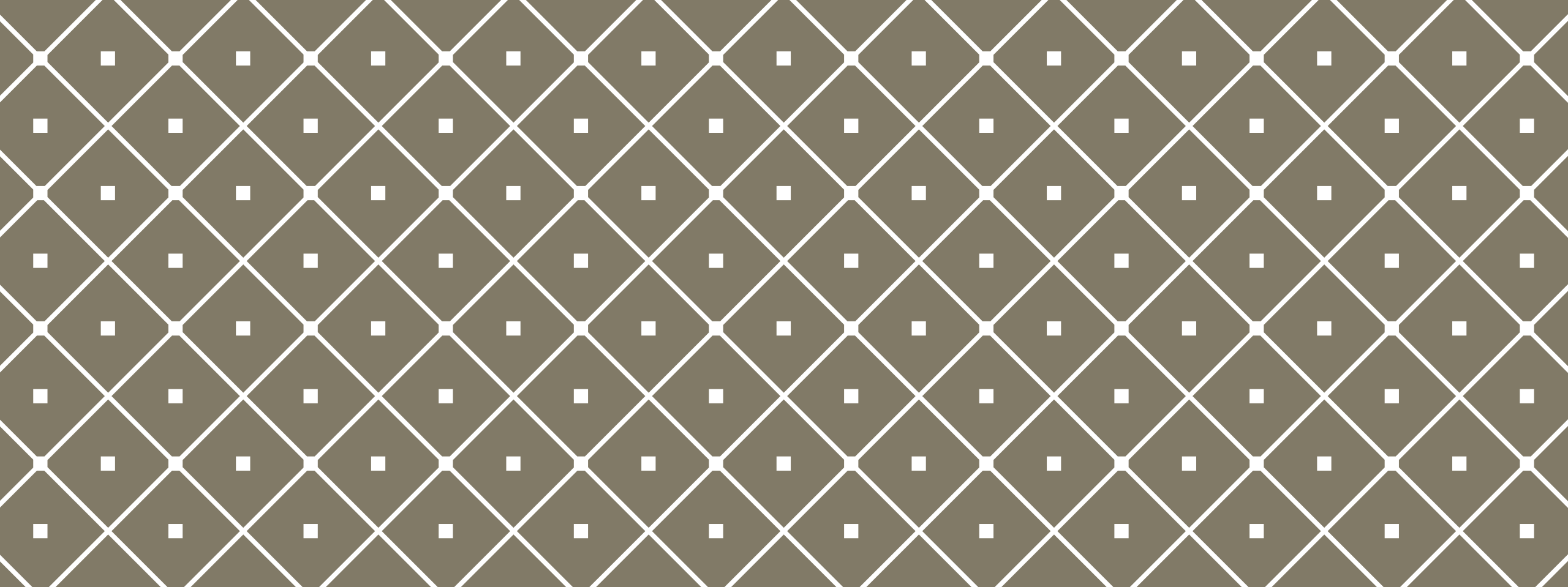
Issues > Analysis > Options > Action Plan > Contingencies

CONTINGENCIES

Risk	Likelihood	Impact	Mitigation
Poor uptake of loyalty App	Medium	Sunk Costs	Incentivize sign-up through promotions
Competitors copying loyalty App	Medium/High	Losing the loyalty from customers	Work with agencies to differentiate the MCVIP from others
Complaints from customers for decreased items	Low/Medium	Losing potential customers	Provide more seasonal or promotional "Retro" menu items
Persistent Quality Issues	Low/Medium	McDonald's reputation continues to suffer	Introduce field agents as per agreement with suppliers to track product supply chain

QUESTIONS?

MCVIP SUCCESS METRICS

1.) 33% of customers sign up within 3-5 years of launch

2.) 10% retention of use of the app

3.) Loyalty card will contribute 2% of overall sales of McDonalds