



Back to Basics: McDonalds

Samie L. S. Ly

Nadim Shamseddine

Catherine Sumague

Rachel Abourbih

How can MCDONALD's
refocus on their strengths
while adapting to new
consumer trends?

Recommendation

Refocus on the basics

- Simplify the menu
- Focus on Quality
- Communicating value to customers

Franchise Oriented Model

- Shift business model to increase franchises
- Quality Control in the franchise

Leverage Technology

- Create an Mobile Application
- Present a Loyalty Program

**MCDONALD'S FUTURE GROWTH WILL DEPEND
ON A CUSTOMER ORIENTED STRATEGY**

Recommendation

Refocus on the basics

- Simplify the menu
- Focus on Quality
- Communicating value to customers

COST: 300 Million Dollars

3 YEARS Plan

INCREASE NET INCOME BY
6 Billion Dollars (26%)

- Quality Control in the franchise

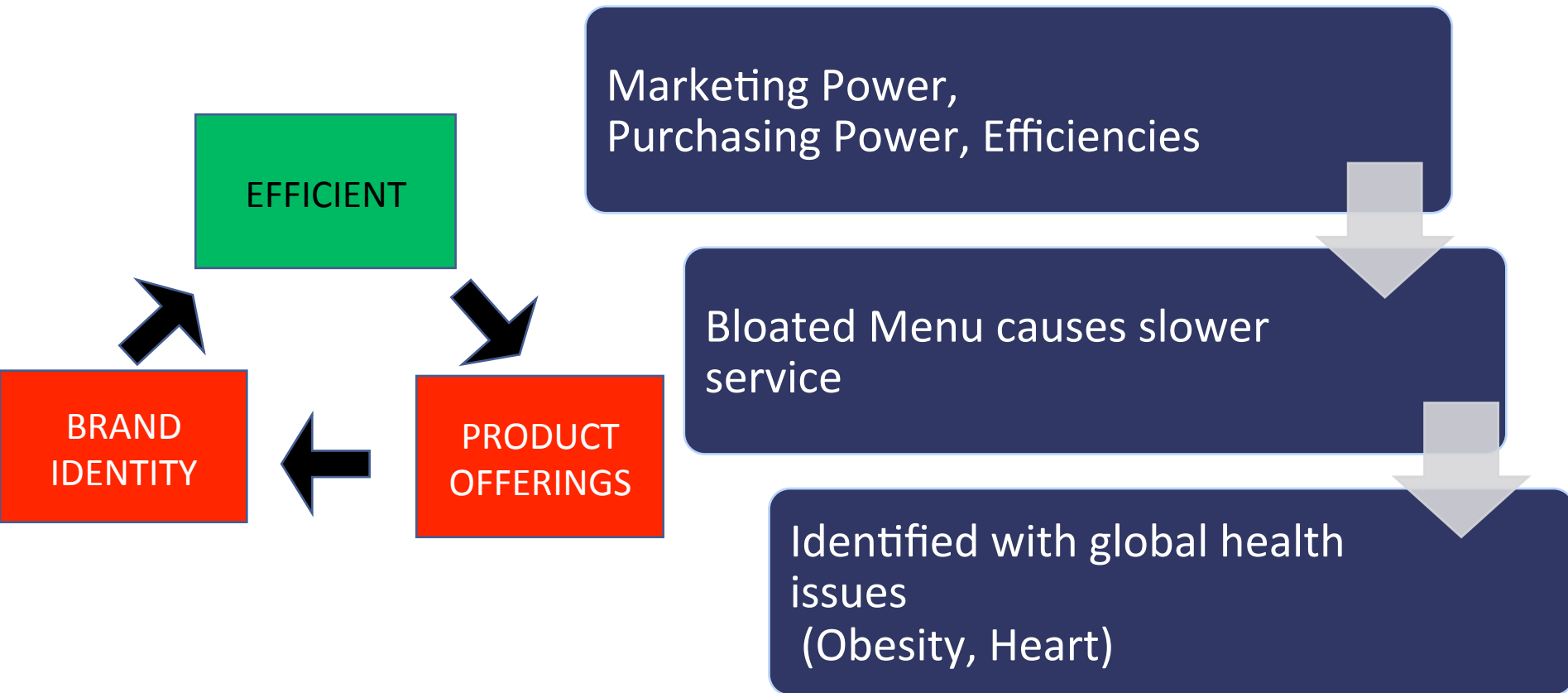
Leverage Technology

- Create an Mobile Application
- Present a Loyalty Program

**MCDONALD'S FUTURE GROWTH WILL DEPEND
ON A CUSTOMER ORIENTED STRATEGY**

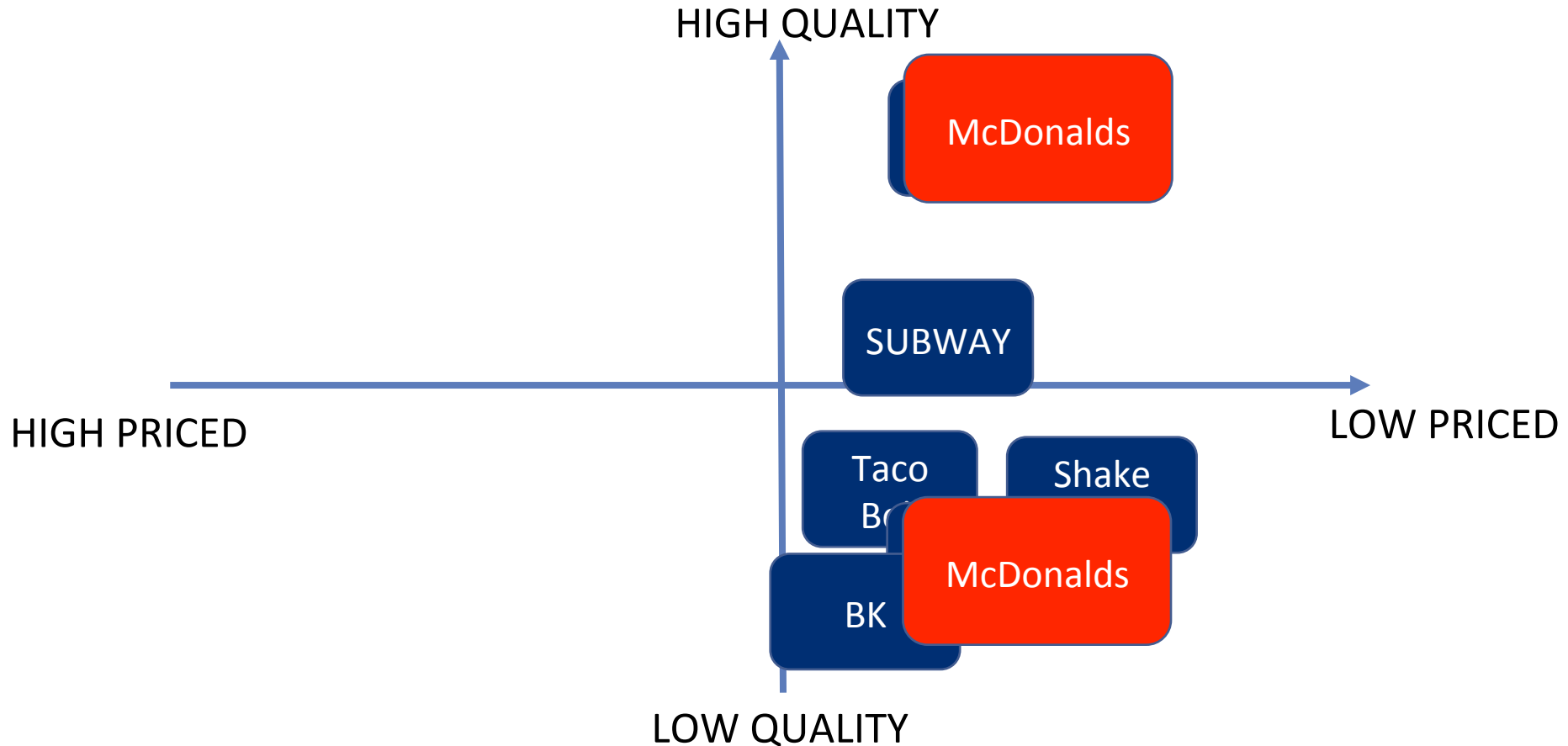
Key Findings

KEY PILLARS THAT CREATES FLOW



BRAND IDENTITY AND PRODUCT OFFERINGS NEED ATTENTION IN ORDER TO MAKE THE PROCESS FLOW

COMPETITIVE LANDSCAPE



**POSITION YOURSELF AS A
HIGHER QUALITY-LOW PRICED PLAYER**

MCDONALD'S CUSTOMERS

Past Customer

INFORMATION
NOT EASILY
ACCESSIBLE

PAPER BASED
WORLD

FAST AND
CONVENIENT



Today's Customer

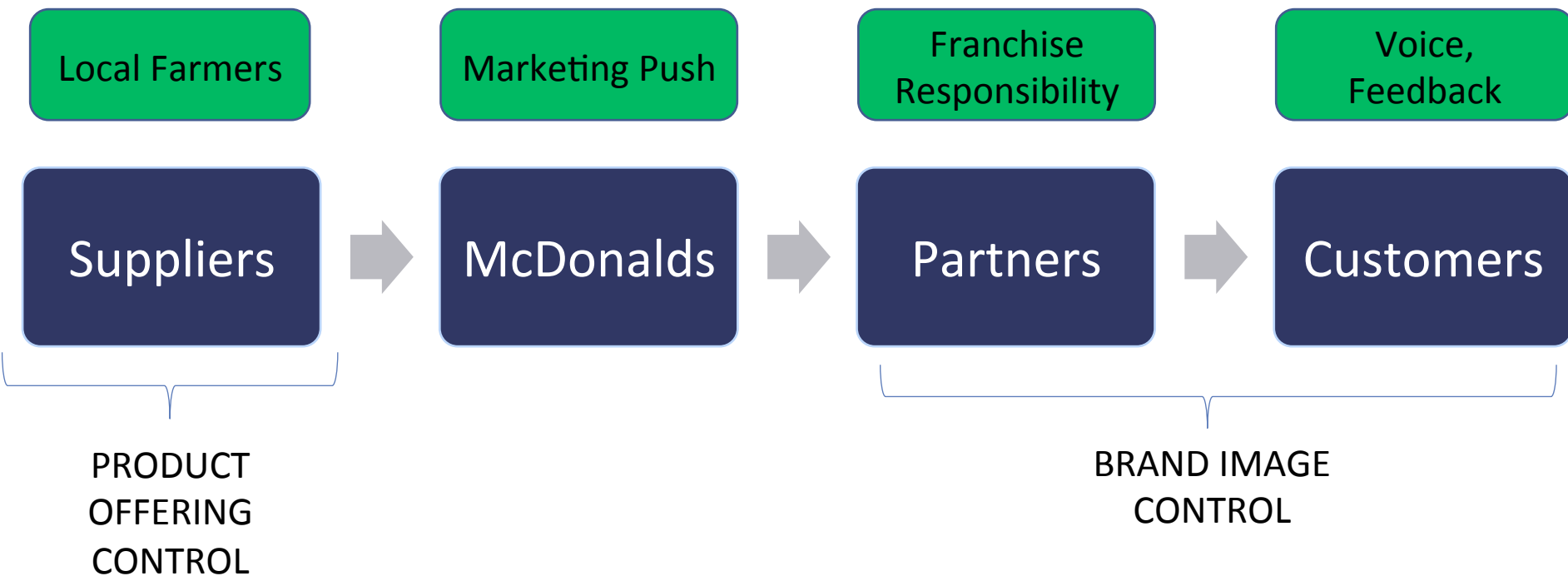
CURIOUS &
AWARE

TECHNOLOGY
ORIENTED

WANT VARIETY
yet CONVENIENCE

**CUSTOMERS' PERSPECTIVE HAVE CHANGED,
MCDONALDS NEEDS TO EVOLVE**

MCDONALD'S VALUE CHAIN



RECONNECTING WITH YOUR CUSTOMER



Understand customer behaviors through data collection

Forecast product offerings

Quality control of franchises through customer reviews

Efficiencies of operations from a distance

Build a transparent marketing image with communication

TECHNOLOGY IS A MUST FOR THE FUTURE GROWTH OF MCDONALDS

MOVING TOWARDS FRANCHISE MODEL

Japan was affected by China's expired meat – Brand Reputation



Joint Venture partner in India accused of mismanagement



Franchises facilitates collaboration
– Group Based Strategy

MCDONALD'S MUST BUILD TOWARD A FRANCHISE MODEL TO DRIVE OPERATING GROWTH TOGETHER

STRATEGIC OVERVIEW

Competition

Partners

Customers

Position yourself
in the high
quality-low priced

Quality control
with the
franchises

Technology
demand forecast

Be true to your
identity

Strengthen your
network structure

Listen to your
customer needs
and adapt

THESE ARE THE CORE ITEMS THAT WILL ENSURE SUCCESS.

Financial Analysis

FINANCIAL OVERVIEW

Net Income



You are losing customers.
You have an identity crisis

MAIN MARKET



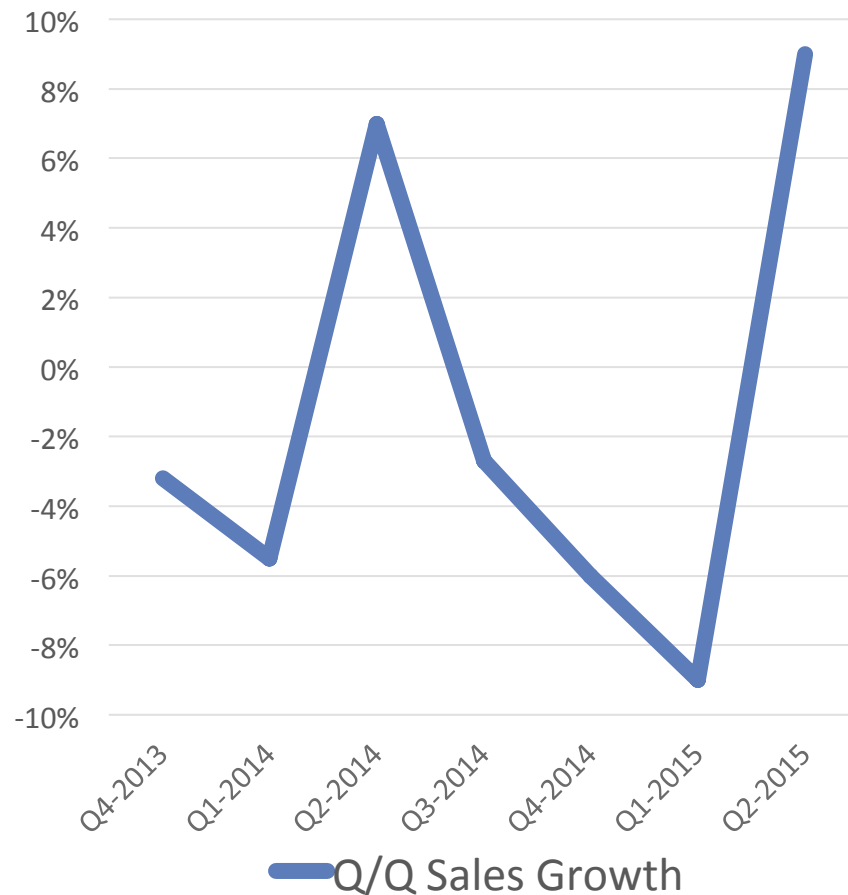
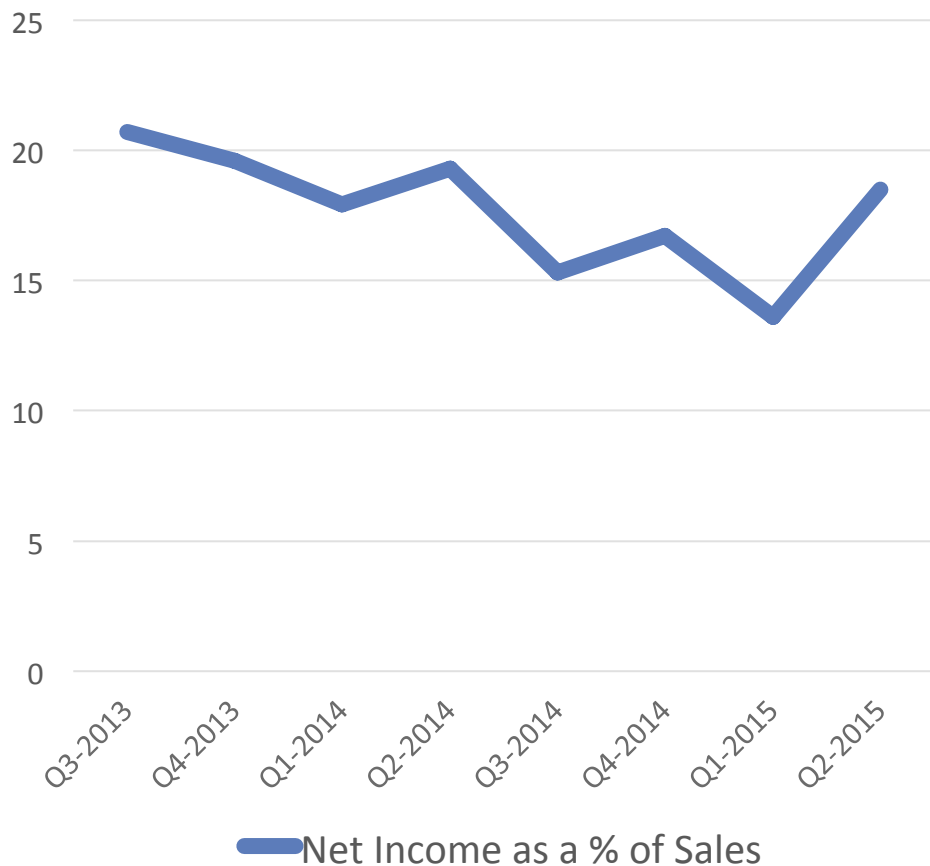
Europe and US are the main markets.
Refocus on gaining back the customer
base.

REVENUE
CHANNELS



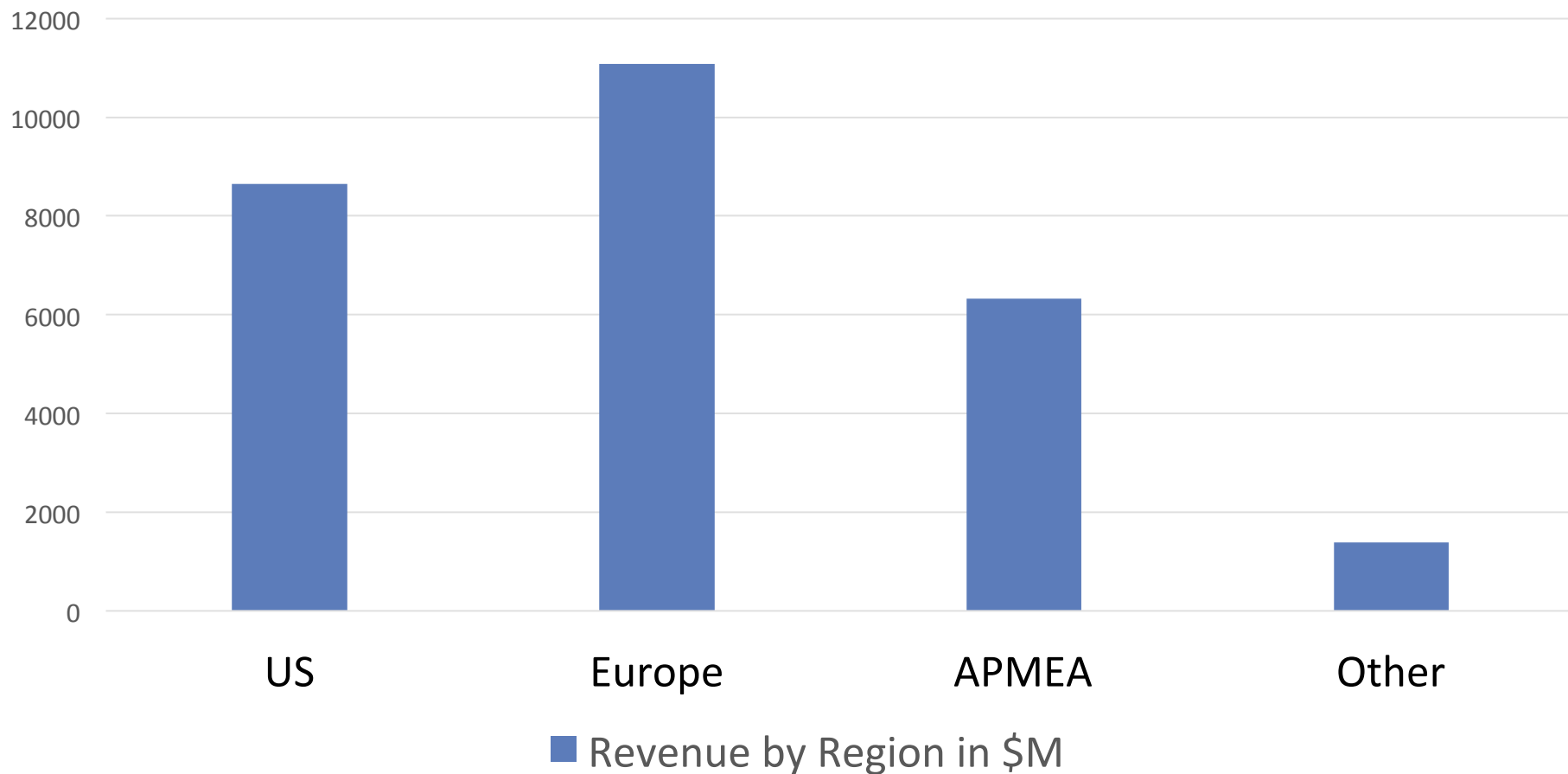
Push towards a franchised model to reduce
cost.

NET INCOME AND SALES GROWTH



NET INCOME HAS BEEN STEADILY DECLINING, WHILE SALES ARE FLUCTUATING

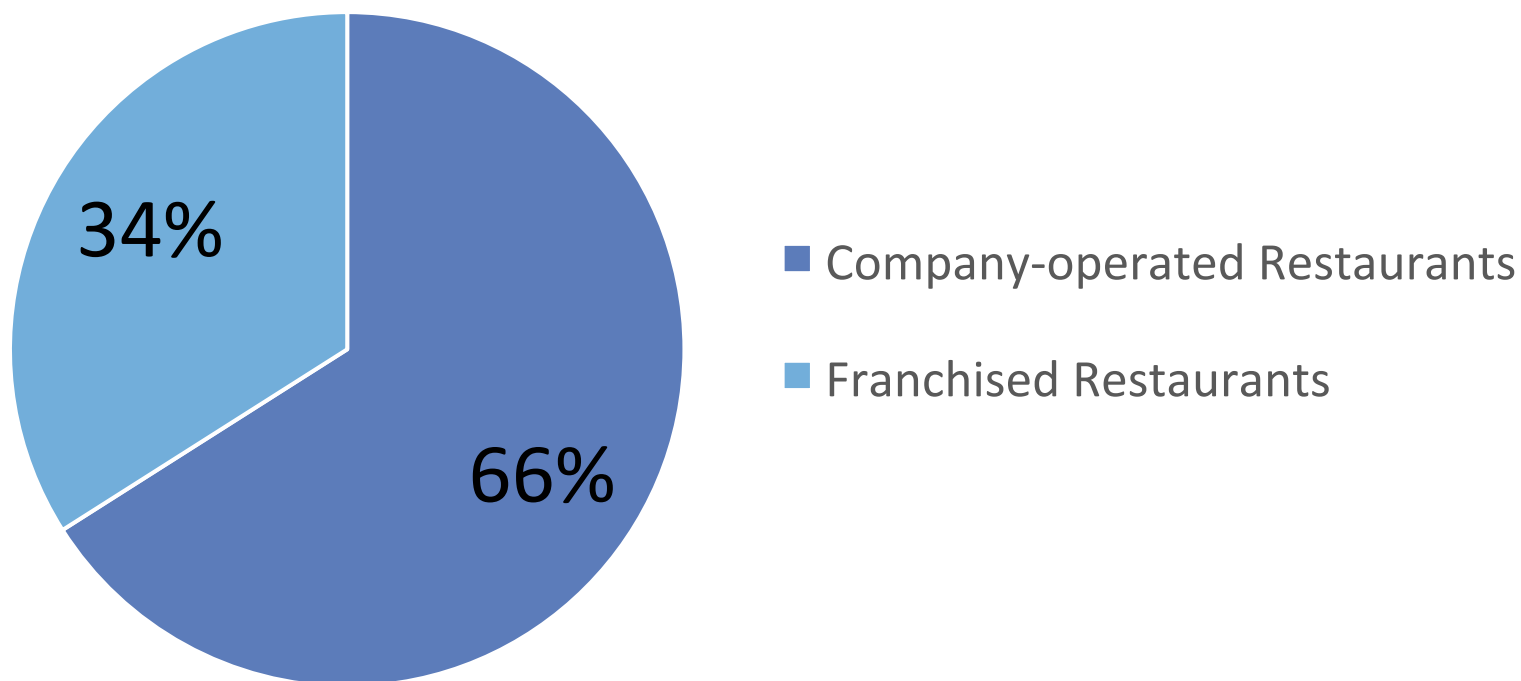
Revenue is heavily concentrated in US and Europe



CUSTOMER SATISFACTION IS CRITICAL IN ENSURING GROWTH

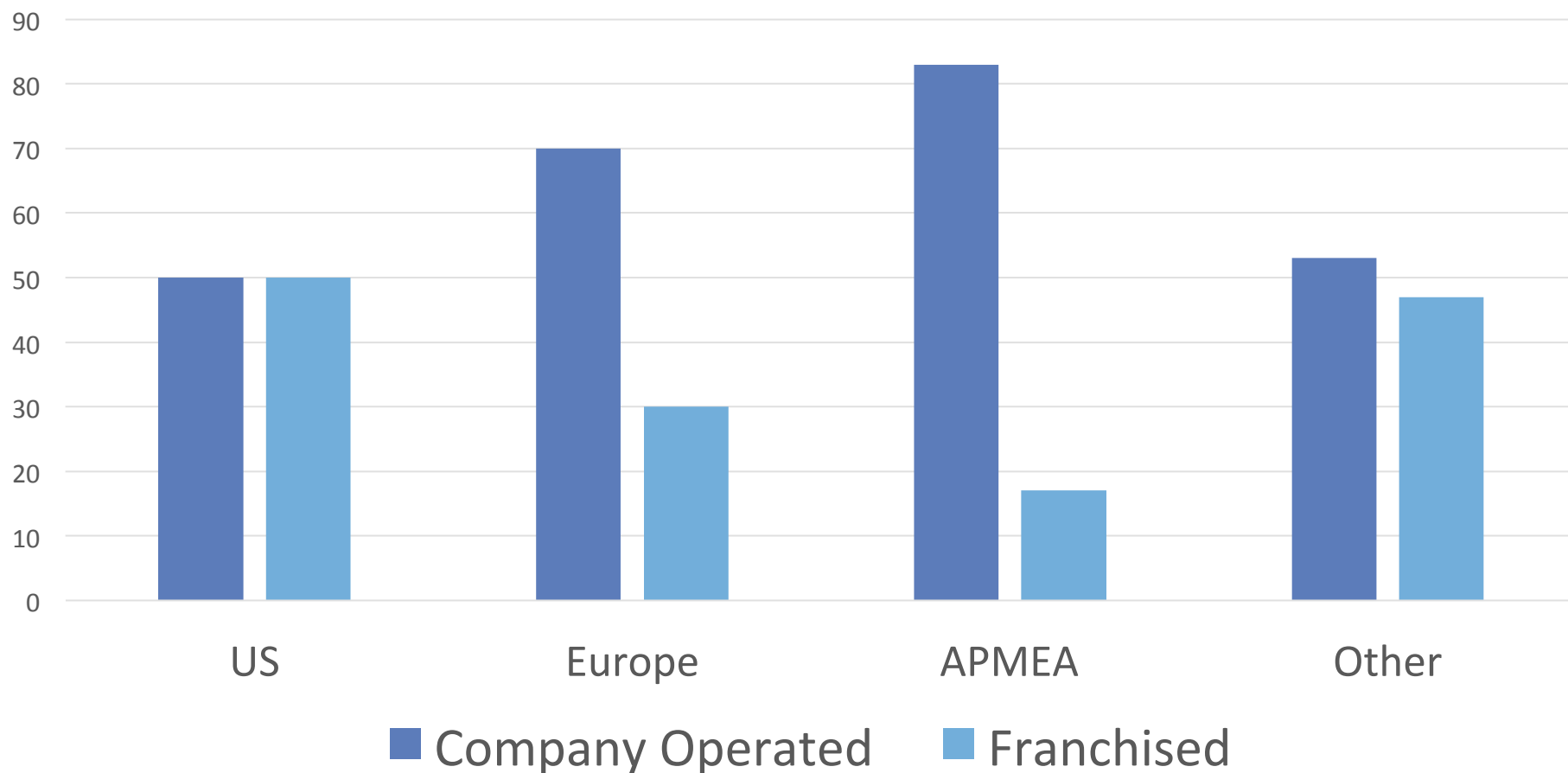
REVENUE CHANNELS

Revenue



PUSH TOWARDS FRANCHISED MODEL TO FURTHER REDUCE COST

REVENUE STREAM IN %



EUROPE AND APMEA ARE CANDIDATES TO INCREASE FRANCHISED REVENUE CHANNELS

Alternatives

STRATEGIC POSITIONING ASSESSMENT

IDENTITY CRISIS

Fast food player

Health food player

Lots of skus



STRATEGIC POSITIONING ASSESSMENT

IDENTITY CRISIS

Fast food player

Adding healthy options

Lots of skus

REFOCUS ON THE BASICS!

Revamp menu

Quality

Low price

Franchisee

STRATEGIC POSITIONING ASSESSMENT

IDENTITY CRISIS

Fast food player

Health food player

Lots of skus

REFOCUS ON THE BASICS!

Revamp menu

Quality

Low price

Franchisee

CHANGING PERCEPTIONS

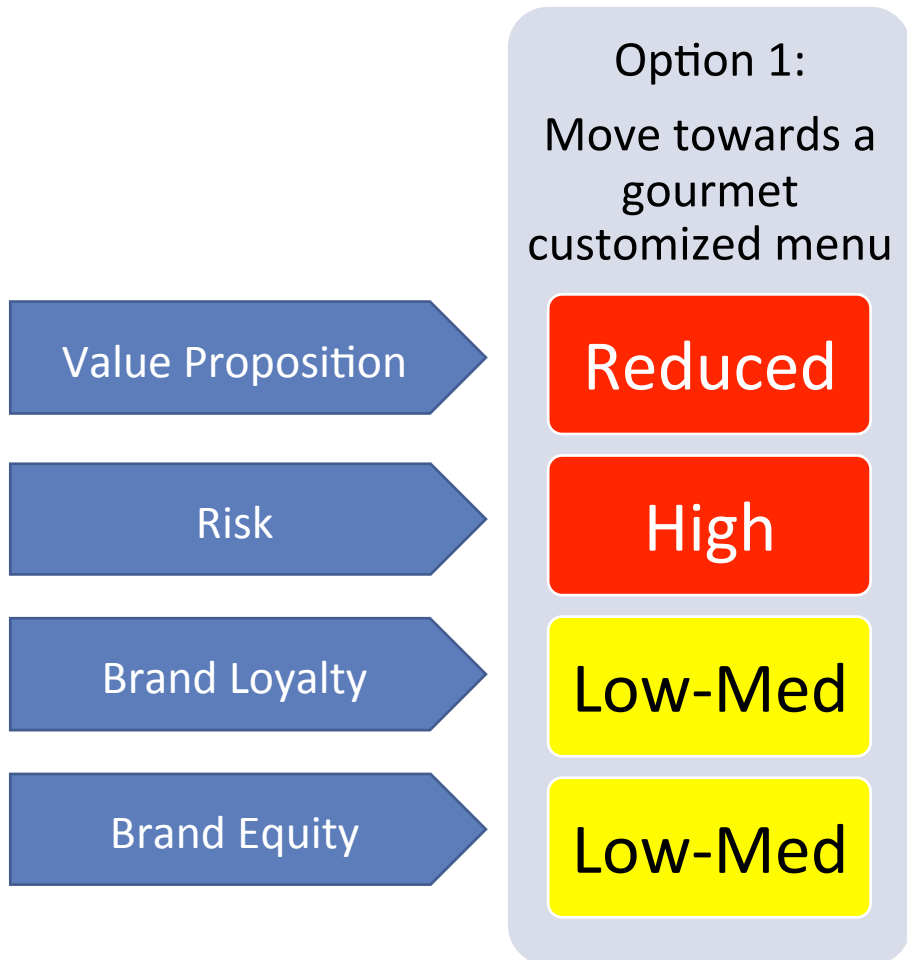
Millennials

Price conscious customers

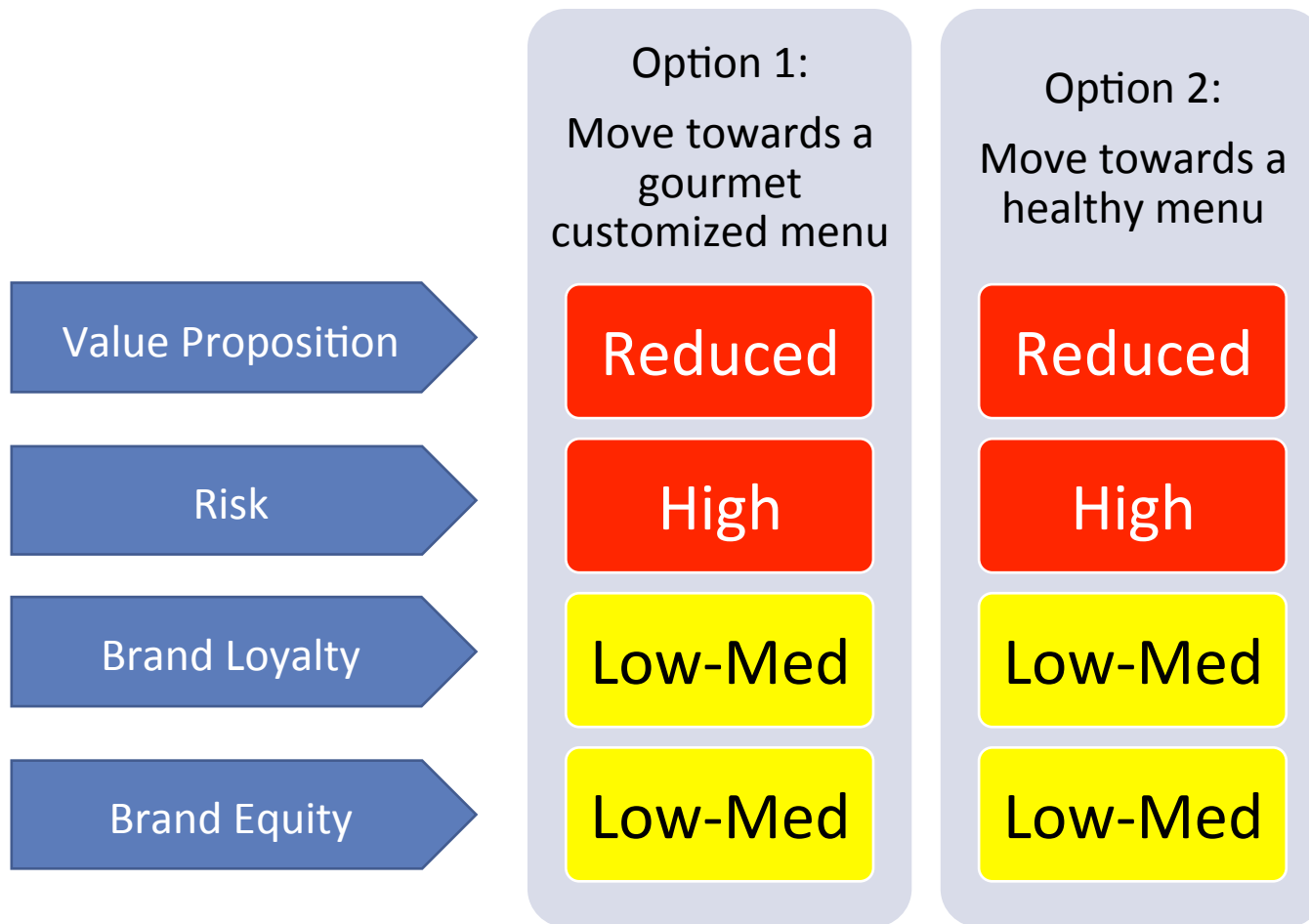
Fierce competition

REGAIN TRUST OF CLIENTELE IN ORDER TO GROW

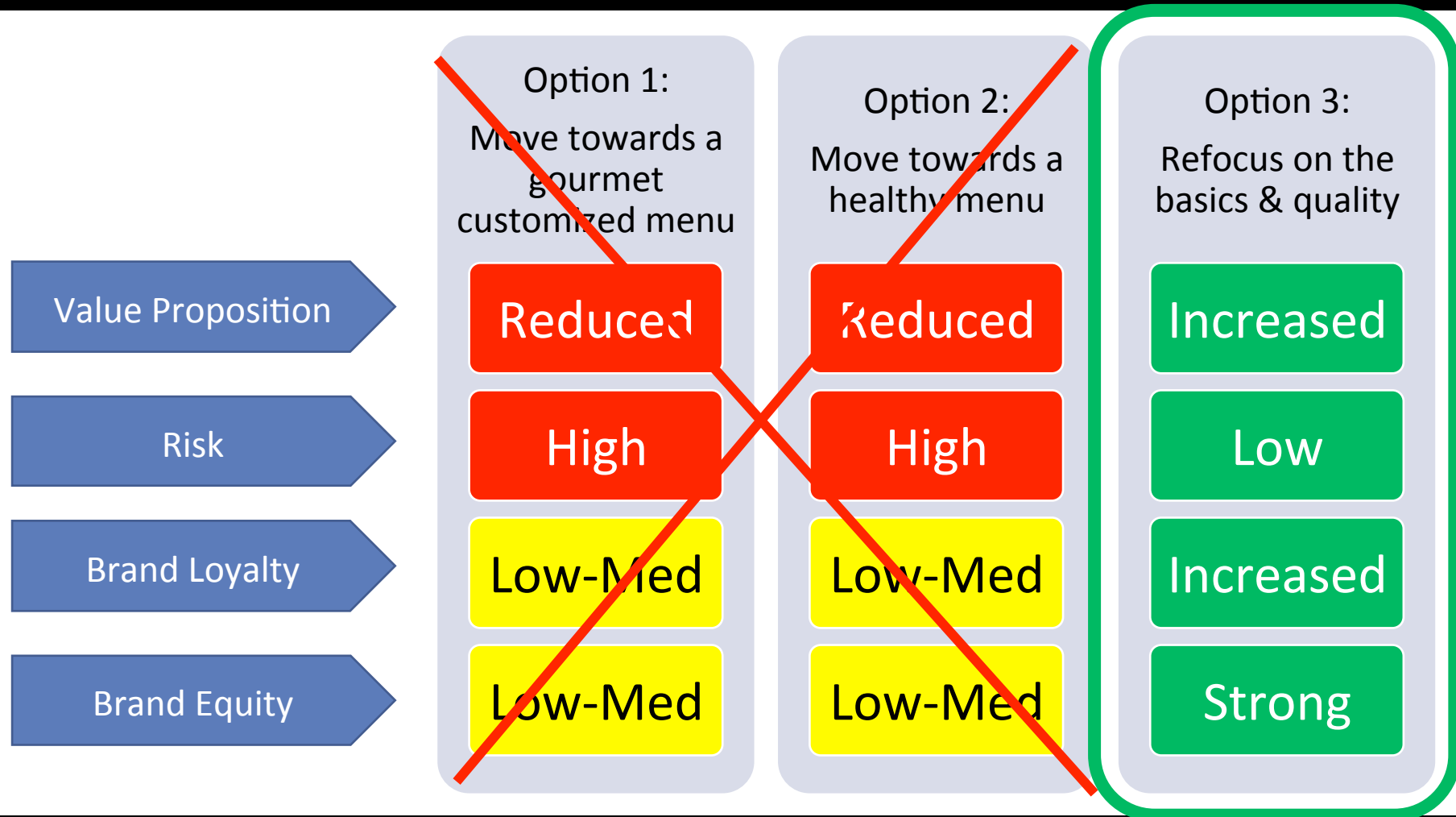
OPTIONS



OPTIONS

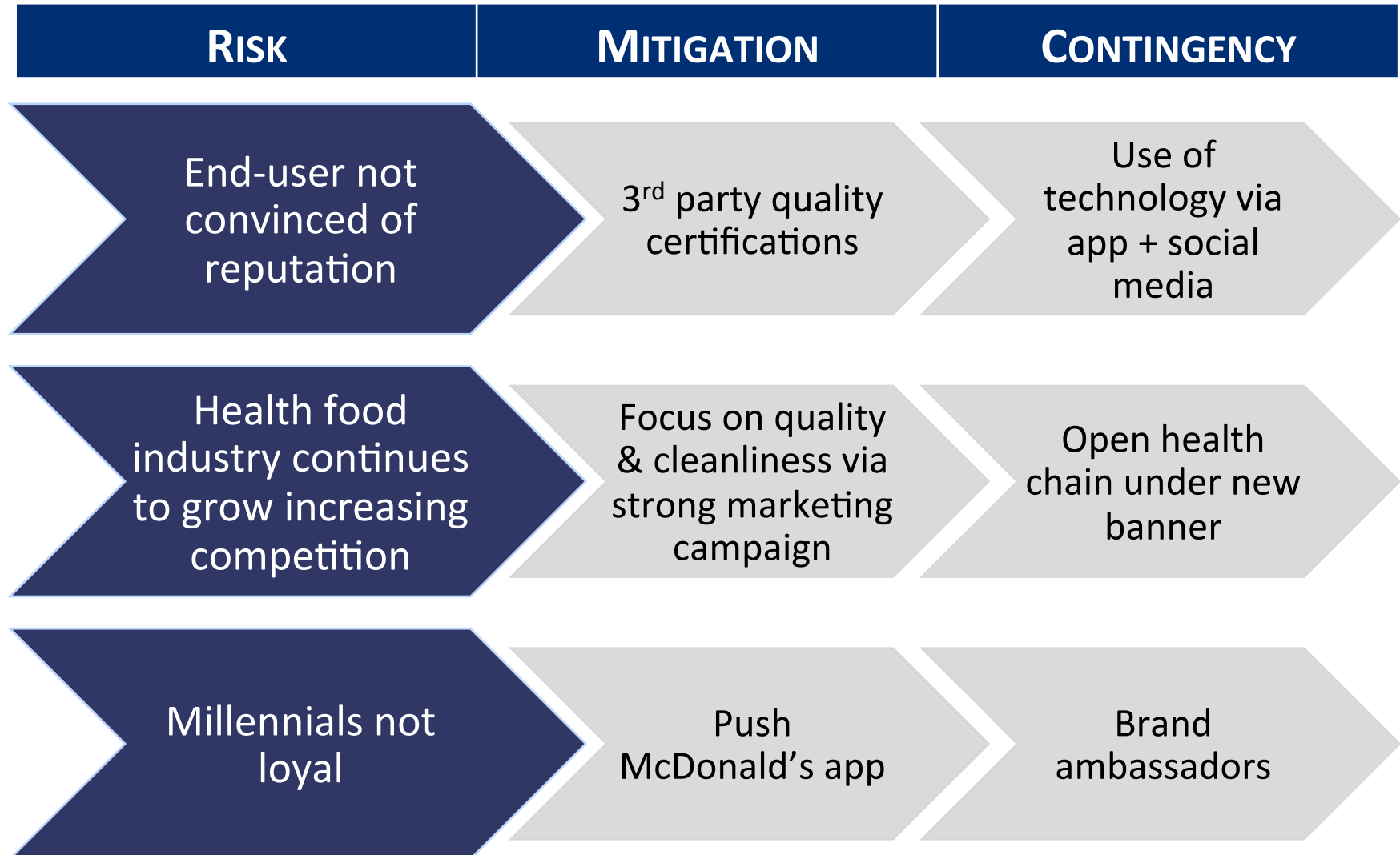


OPTIONS



FOCUS ON WHAT YOU ARE GOOD AT!

RISK & MITIGATION STRATEGIES



Recommendation

Refocus on the basics

- Simplify the menu
- Focus on Quality
- Communicating value to customers

Franchise Oriented Model

- Shift business model to increase franchises
- Quality Control in the franchise

Leverage Technology

- Create an Mobile Application
- Present a Loyalty Program

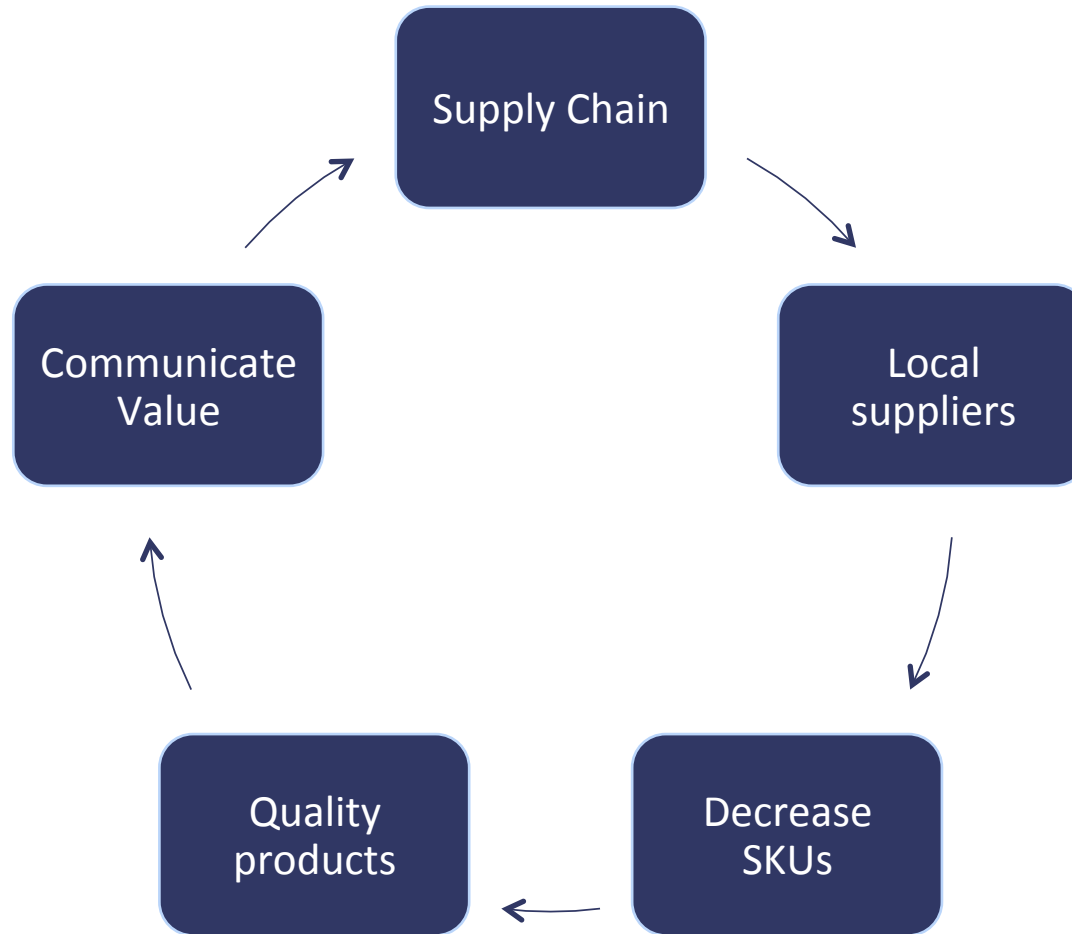
**MCDONALD'S FUTURE GROWTH WILL DEPEND
ON A CUSTOMER ORIENTED STRATEGY**

Action Plan

TIMELINE FOR SUCCESS

SHORT TERM (0 – 1 YEAR)	MEDIUM TERM (1 – 2 YEAR)	LONG TERM (2 – 3 YEAR)
	Marketing campaign: videos, branding	
Reduce SKUs		
Quality suppliers / certifications		
Increase franchisees		
	Launch mobile app	
		Pilot project for Healthy Banner

REFOCUS ON BASICS

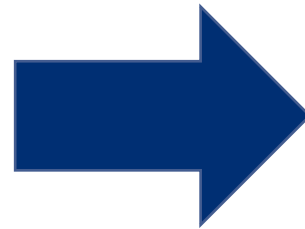


PATH TO SUCCESS STARTS WITH QUALITY INGREDIENTS

DECREASE PRODUCTS TO STREAMLINE OPERATIONS


REMOVE

- Salads
- Angus Burger
- Premium Wrap



RESULT

- Quarter Pounder
- Snack Wrap
- Chicken Sandwich



Avocado, cheeses, signature sauces,
caramelized onions, mushrooms,
olives, fried egg, bacon, pickles

FOCUS ON CUSTOMIZING TOPPINGS, NOT PRODUCTS!

CUSTOMER'S PERCEPTION OF QUALITY

Video Campaign

- Where is products sourced?
- Meet your local Farmer

Transparency

- Calorie count on all product offerings
- Third-party certifications

Branding

- Certification stamps
- Social media brand ambassadors

REGAIN TRUST OF LOYAL CUSTOMERS BY FOCUSING ON QUALITY

UNDERSTAND YOUR TARGET SEGMENTS

Families with young children

- KSFs: Fast, quality, cleanliness
- Quick and easy affordable meal
- Eg.: Meal after hockey practice

Millennials

- High school students
- Tech savvy, adventurous, on-the-go lifestyle
- Looking for quality

25 & Up

- KSFs: Fast, convenient, reliable
- Price conscious, nostalgic comfort food

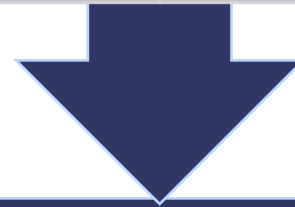
SEGMENT YOUR CUSTOMER TO MEET THEIR NEEDS

INCREASE FRANCHISE MODEL

GEO SEGMENTS

Europe

Middle East
Africa



FOCUS

Meet local needs

Quality control

Franchisee satisfaction

SHIFT IN BUSINESS MODEL REQUIRES EMPHASIS ON QUALITY CONTROL

FRANCHISE QUALITY CONTROL



Monthly corporate inspectors

**ONLY HIGH QUALITY
FRANCHISEES CAN ACQUIRE
FUTURE STORES**

Franchisee scorecard

FRANCHISEES MUST MEET QUALITY STANDARDS – ZERO TOLERANCE POLICY!

MOVE TO THE FUTURE THROUGH MCDONALDS' APP



Product customization

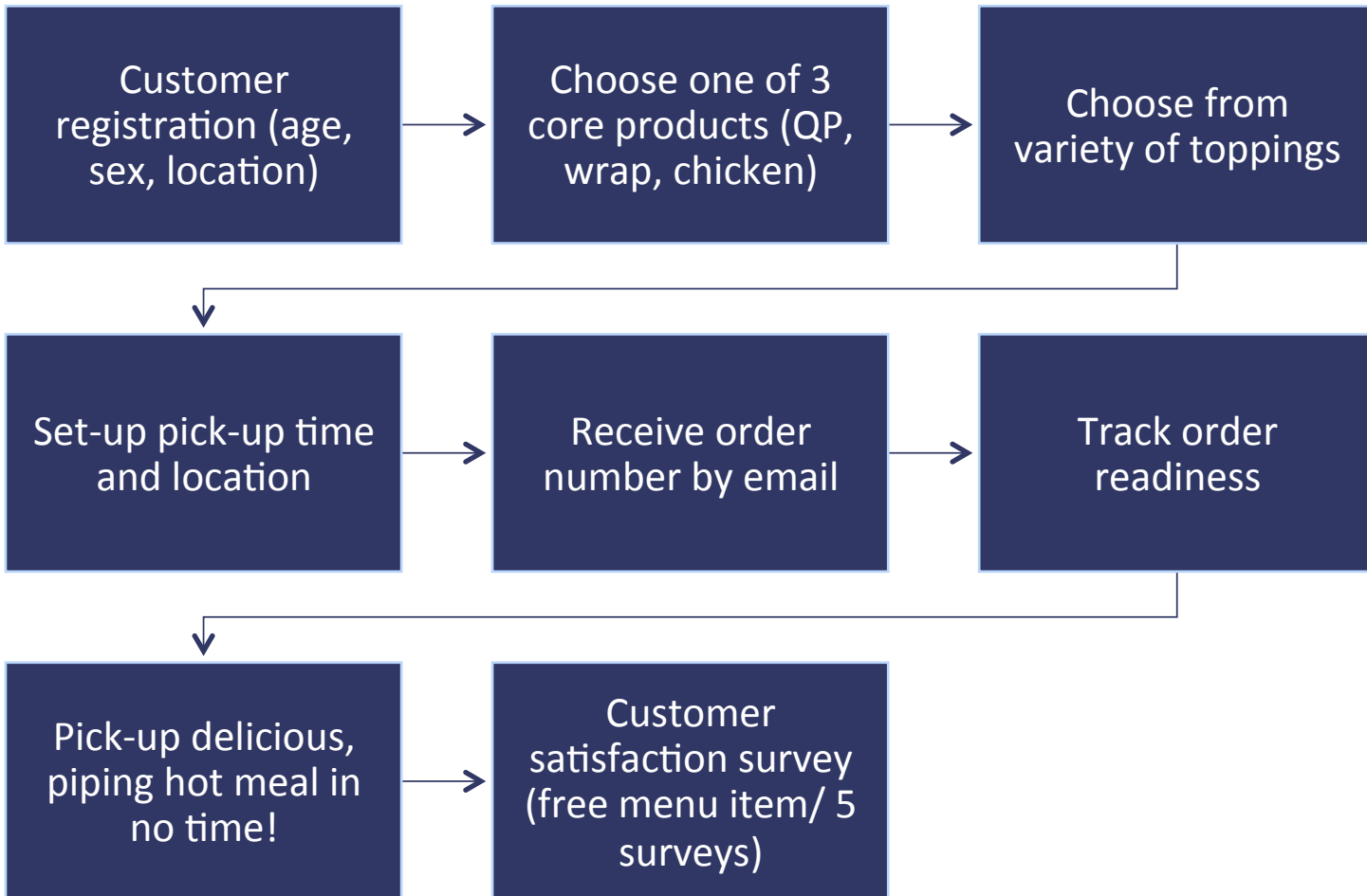
Improve efficiency

Leverage Big Data → understand customers

Loyalty Program

Customer satisfaction (surveys, reviews)

ORDERING EXPERIENCE THROUGH APP



UNDERSTAND CUSTOMER BY LEVERAGING DATA COLLECTED THROUGH APP

LONG-TERM FOCUS: HEALTHY BANNER

Pilot project

Select 5 key markets in USA

Test healthy menu options

Marketing campaign to educate customer and increase brand awareness

EVOLVE WITH THE TIMES: ADAPT TO CHANGING MARKET NEEDS

Financial Projections

FINANCIAL OVERVIEW

Net Income



```
graph LR; NI[Net Income] --> NI_F[Net Income will increase by 26% in 3 Years]; RC[REVENUE CHANNELS] --> RC_F[Revenue channels will be equalized]; EPS[EPS] --> EPS_F[EPS will increase to 6$];
```

Net Income will increase by 26% in 3 Years

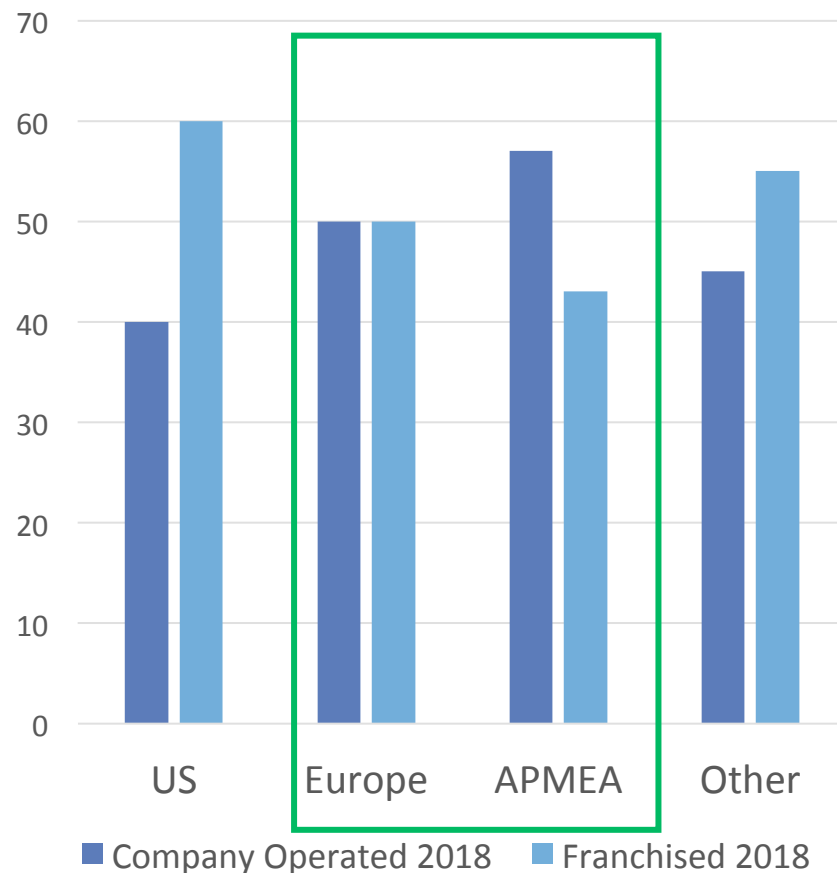
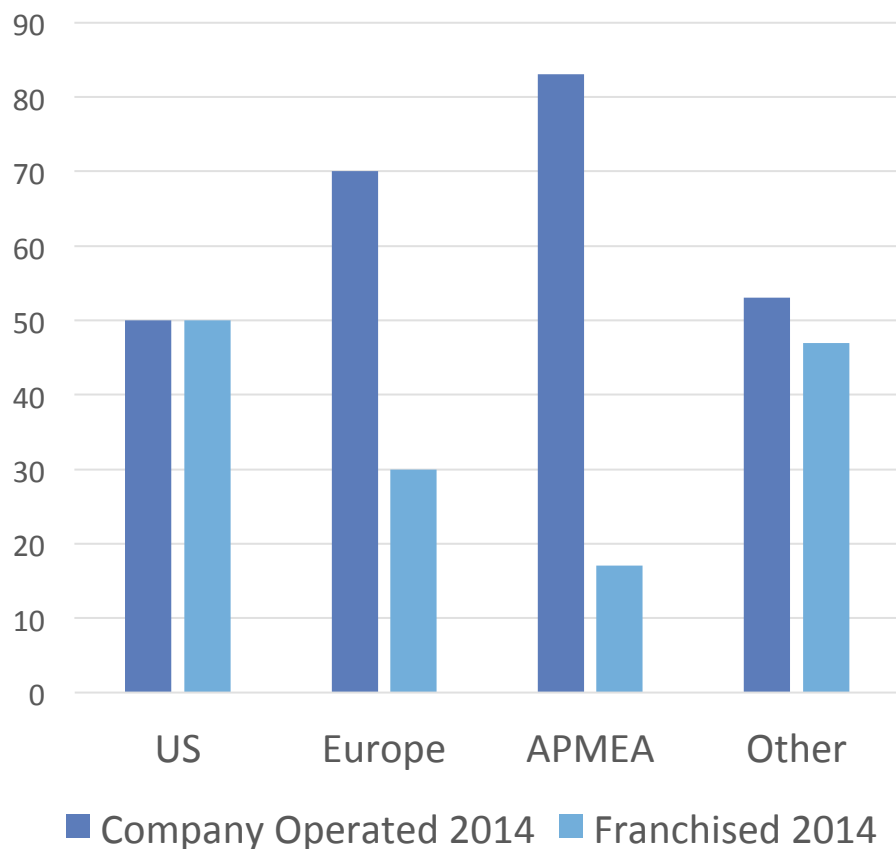
REVENUE
CHANNELS

Revenue channels will be equalized

EPS

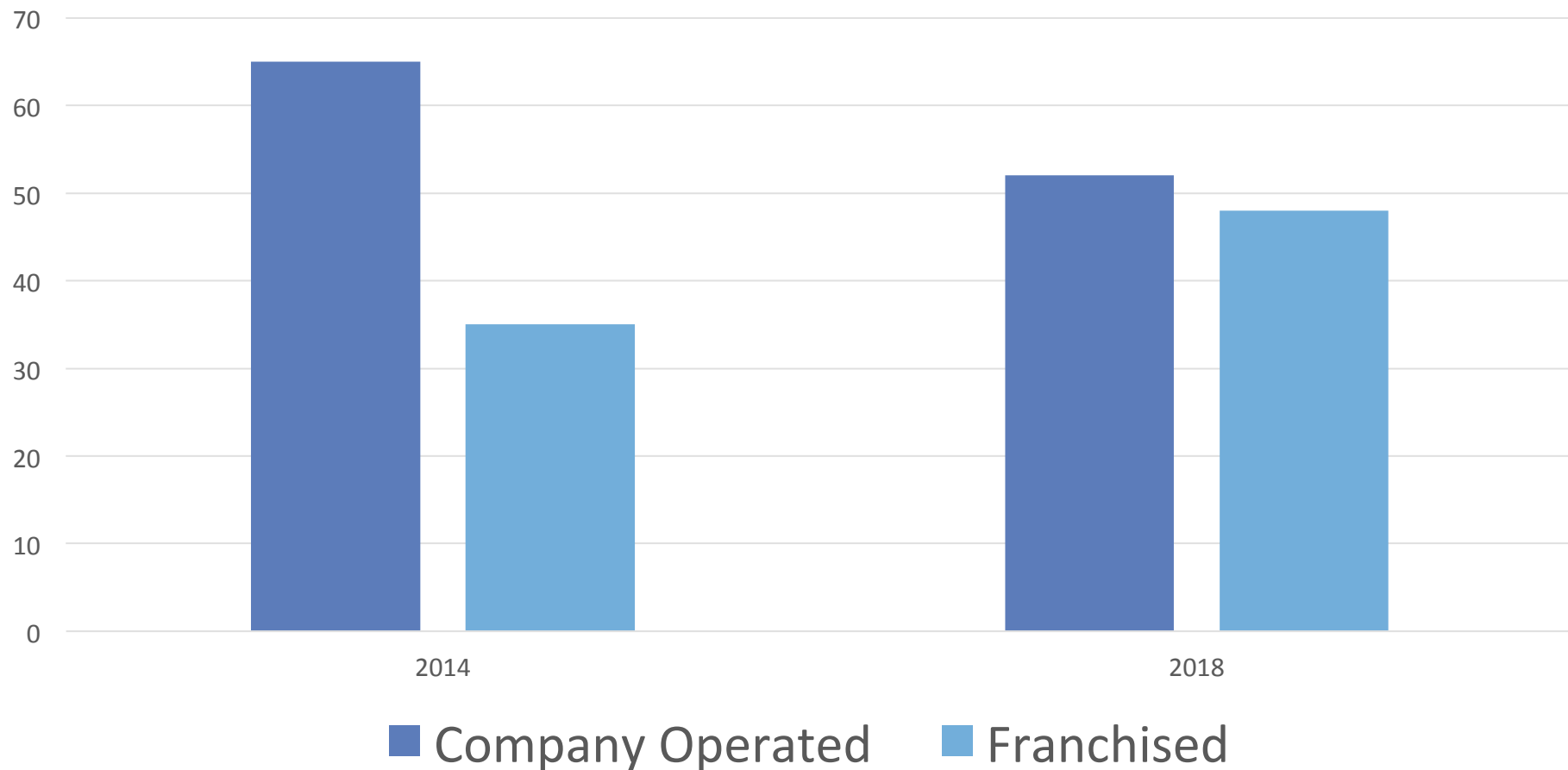
EPS will increase to 6\$

REVENUE STREAM IN %



OPERATIONAL SAVINGS WILL BE ACHIEVED BY ADJUSTING THE REVENUE STREAMS

REVENUE CHANNELS



OPERATIONAL SAVINGS WILL BE ACHIEVED BY ADJUSTING THE REVENUE STEAMS

NET INCOME WILL INCREASE BY 26% BY 2018

	2014	2015	2016	2017	2018
Revenues in \$M	27441	27715	28269	29400	30880
Operating Expenses in %	71	71	70	70	69
Operating income in \$M	7949	8037	8480	8820	9548
Interest and Tax Exp. In \$M	3155	3187	3250	3381	3550
Additional Investments in \$M	180	60	35	25	-
Net Income in \$M	4614	4790	5195	5414	6000

**INVESTMENTS ARE CRITICAL TO WIN BACK CUSTOMER TRUST AND
IMPROVE NET INCOME**

RECOMMENDATION

Refocus on the basics

- Simplify the menu
- Focus on Quality
- Communicating value to customers

Franchise Oriented Model

- Shift business model to increase franchises
- Quality Control in the franchise

Leverage Technology

- Create an Mobile Application
- Present a Loyalty Program

**MCDONALD'S FUTURE GROWTH WILL DEPEND
ON A CUSTOMER ORIENTED STRATEGY**

Thank you!
Questions and Answers