

McDonalds

CHARTING MCDONALDS WAY FORWARD

TO STEVE EASTERBROOK

NANYANG CONSULTANCY

Agenda

1. Problem statement
2. Recommendations
3. Option Evaluation
4. Customer value proposition
5. Implementation
6. KPI
7. Timeline
8. Financial analysis
9. Risk
10. Conclusion



Problem Statement

Quality control

- Complaints about inferior food sources – vendor selling expired meat in China, disputes about American potatoes, etc.

Operational complexity

- Complaints over complex menus by franchisees
- Issue with employee pay structure, and food products

Lack of focus

- Mix of all day breakfast, “Create Your Taste” and menu upgrades

➤ What can McDonalds do to turnaround its image and its operations ?

Recommendation

Go back to basics

- Speed up customer service time
- Understand what customer wants; provide a simplified menu

Focus on quality controls

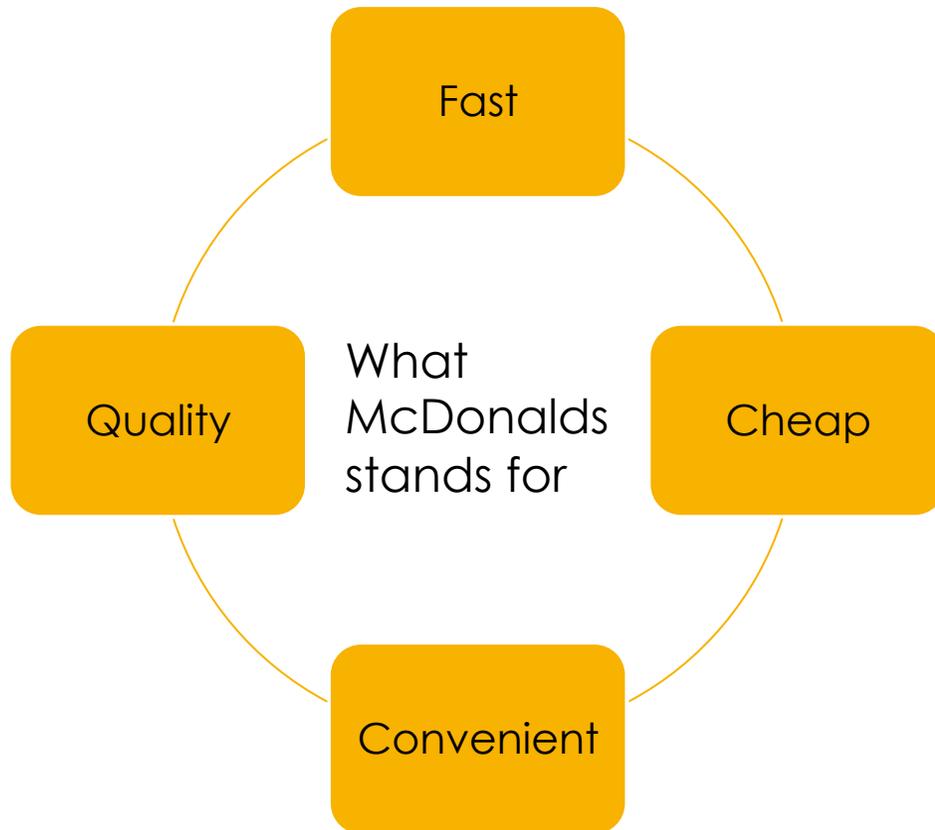
- Rebrand image to showcase high quality products and good standards
- Create/monitor quality control standards for vendors

Create a sister brand to cater to evolving needs

- Create a sister brand – McHearts – to tap into the health conscious markets

➤ Refocusing on its core strengths, improving quality and catering to the health conscious customer will ensure McDonalds to grow in the future

Option Analysis



Option 1: Create a new brand to focus on healthy options

- Branding would take time
- Utilizing adwill

Option 2: Reduce the menu to only focus on burgers

- Will lose share to competitors
- Customers becoming more health conscious

Option 3: Refocus CVP and cater to the health conscious customer

CUSTOMER VALUE PROPOSITION

SERVICE SPEED
AND
CONSISTENCY

- Service consistency through strong processes/training
- Service speed
Ex: Drive through lanes

VALUE

- Synonymous with good quality products at reasonable prices

IMPLEMENTATION 1: REFOCUS OF CORE CVP

DESIGN THINKING TASK FORCE

- McDonalds is losing sight of customers wants
- **Next Steps:** Creation of Design Thinking Taskforce (Regional)
- Ex: Singapore Airlines Promoting Innovation Program

REDUCTION IN SERVICE COMPLEXITY

- Harness insights from task force to specify items on menu
- **Next Steps:** Reduce menu items by 20%
- Speeding up of customer service by mobile ordering options

➤ Emphasis on gaining clarity on customer needs to improve service standards

IMPLEMENTATION 2: QUALITY CONTROL

PUBLIC PERCEPTION OF QUALITY STANDARDS

- **Next Steps:** Social media led campaigns on McDonalds best practices on food sourcing
Ex: KFC China

SUPPLIER QUALITY CONTROL

- **Next Steps: 2 pronged approach:**
 - i) Establishment of stricter global quality control standards
 - ii) Monitoring of suppliers through restructured geography-based markets

➤ Rebuilding confidence in target consumers perception of McDonald's food quality

IMPLEMENTATION 3: MCHEARTS - A SISTER BRAND

CREATION

- **Next Steps:** Create a brand under the McDonalds name
Ex: Yum Brands

SELECTION

- **Next Steps:** Select ideal franchises based on strategic location
- 75-25 split based on demographics

SEGREGATION

- **Next Steps:** Segregate equipment, expertise etc.

➤ Without sacrificing your CVP, we lock in our fans for both McDonalds and McHearts

KEY PERFORMANCE INDICATORS

REFOCUS OF CORE CVP

- Customer satisfaction index (Surveys)
- Service times

QUALITY CONTROL

- Facebook Likes, Follows, and Shares
- Percentage of farms and suppliers adhering to standards

McHEARTS

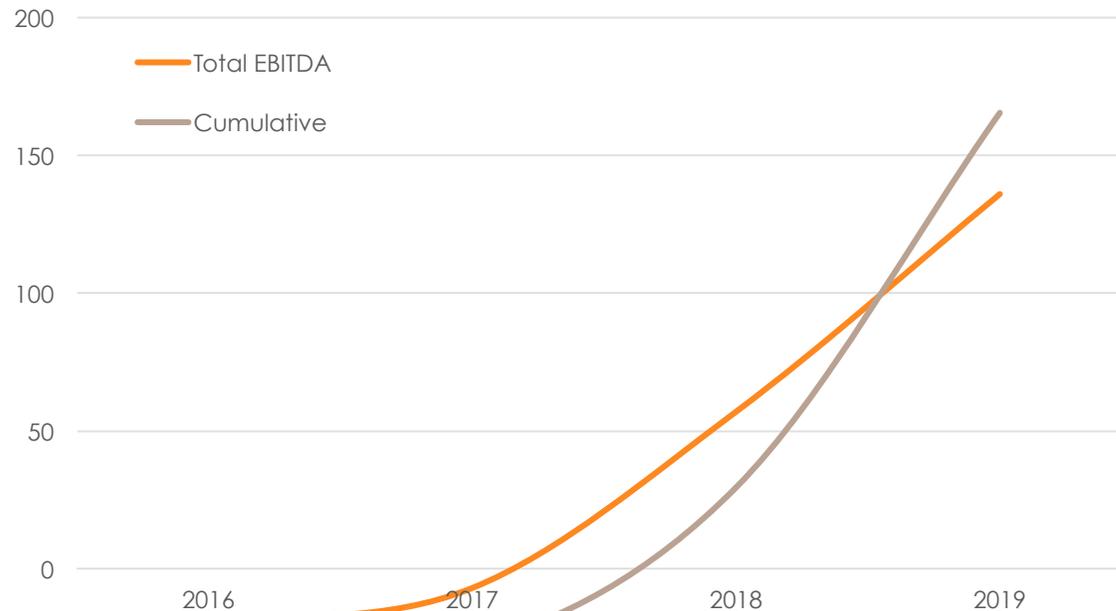
- Customer & franchisee satisfaction index (Surveys)
- Sales contribution

➤ Without sacrificing your CVP, we lock in our fans for both classic and heart

TIMELINE

		2016	2017	2018	2019
RECOMMENDATION 1	Recruiting task force	■			
	On-field survey	■			
	Implementing menu changes		■	■	■
	Add in ordering functionality	■			
	Rolling out mobile ordering App		■		
RECOMMENDATION 2	Ad-campaign development	■			
	Launching online		■		
	Setting up quality control team		■		
	On-field checking		■	■	■
RECOMMENDATION 3	Brand development		■		
	Scoping of target franchisees		■		
	Conversion of stores			■	

Financials



- 550 people worldwide for the task force
- 15 seconds saved by order implies 7 million hours per year saved
- Quality control effort will lead to 0.3% increase in sales
- Sales will be cannibalized for 75% of restaurants by 8%; sales will increase by 30% for the remaining (25%)

- IRR: 110%; Breakeven: 3 years
- Only \$30 million net outflow
- Segmentation will generate 6% increase of net income

Financials

(m USD)	2016	2017	2018	2019
Setting-up Task Forces	-7			
Advertising creation	-12			
Setting-up quality control team	-1.5	-0.5		
Yearly cost for QC team		-10	-10	-11
Saving with burger making		3.5	7	7
Sales increase due to quality control		5	30	60
Segmentation		-5	30	80
Total EBITDA	-20.5	-7	57	136
Cumulative	-20.5	-27.5	29.5	165.5

Risks

Types of risk	Definition	Likelihood	Impact	Mitigation
Brand risk	Customer don't accept the new brand	Medium	Medium	<ul style="list-style-type: none"> • Create consumer engagement plan
Environment risk	Vendor complaints continue on food quality	Low	High	<ul style="list-style-type: none"> • Develop a global quality control • Develop your own farms
Economic risk	McHearts considered as expensive by consumers	Medium	Medium	<ul style="list-style-type: none"> • Design thinking task force to break products by purchasing power

Conclusion

Go back to basics

- Speed up customer service time
- Understand what customer wants; provide a simplified menu

Focus on quality controls

- Rebrand image to showcase high quality produce and good standards
- Create/ monitor quality control standards for vendors

Create a sister brand to cater to evolving needs

- Create a sister brand – McHearts – to tap into the health conscious markets

➤ Refocusing on its core strengths, improving quality and catering to the health conscious customer will ensure McDonalds to grow in the future

THANK YOU