**Universite de la Mediterrane Aix-Marseille II**

**Master 2 profesionelle**

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**Introduction**

The business began in 1940, with a [restaurant](http://en.wikipedia.org/wiki/Restaurant) opened by brothers [Dick and Mac McDonald](http://en.wikipedia.org/wiki/Dick_and_Mac_McDonald) in [San Bernardino](http://en.wikipedia.org/wiki/San_Bernardino,_California), [California](http://en.wikipedia.org/wiki/California). Their introduction of the "Speedy Service System" in 1948 established the principles of the modern [fast-food restaurant](http://en.wikipedia.org/wiki/Fast_food#Overview). The original mascot of McDonald's was a man with a chef's hat on top of a hamburger shaped head whose name was "Speedy." Speedy was eventually replaced with [Ronald McDonald](http://en.wikipedia.org/wiki/Ronald_McDonald) in 1963

The present corporation dates its founding to the opening of a [franchised](http://en.wikipedia.org/wiki/Franchising) restaurant by [Ray Kroc](http://en.wikipedia.org/wiki/Ray_Kroc) in 1954. Kroc later purchased the McDonald brothers' equity in the company and led its worldwide expansion and the company became listed on the public stock markets in 1965. Today McDonalds is one of the largest fast food chain restaurants with 31,000 local restaurants serving 58 million people in 118 countries in the world. This company holds quarter of the US market share. More than 75 % of McDonald’s restaurants that are 25,465 owned and operated by local persons.

Main market of McDonald divided in following countries. France, Germany and the United Kingdom (U.K.), collectively, account for approximately 55% of Europe’s revenues; and Australia, China and Japan (a 50%-owned affiliate accounted for under the equity method), collectively, account for over 50% of APMEA’s revenues. These six markets along with the U.S. and Canada are referred to as “major markets” throughout this report and comprise over 70% of total revenues.

**Introduction: 6 years summary of McDonald**



Company’s Systemwide sales increased 3% in 2008. But 2007 and 2006 this number was 9 %. Company operated sales decreased 1 % in 2008. In generally if we look at curve there is not sharp increase in chart. This situation implies that not only fast-food market but also McDonald’s market is going to be saturated. It is also related with high competition in fast food market. Next slides indicate the market share of McDonald in USA fast food market.



Market share of McDonald is 24 percent in US market. Subway, Burger King, Starbuck capture 9%,8%,8% respectively.

**From one small hamburger to Global corporation (corporate strategy)**

How McDonalds became from small hamburger to Global corporation? What is the philosophy that McDonald runs. This philosophy, established by a founder, Raymond Kroc, is often described as a three-legged stool. One of the legs is **McDonald's**, a second leg is **franchisee partners** and the third leg is **supplier partners**. The stool is only as strong as its three legs. Franchisee - As I mentioned before McDonalds restaurants operated by franchisees is 75%. McDonald

**SWOT analyze of McDonald**

***Strong***

**-S1**.This strong brand recognition- creates significant opportunities for the company. MacDonald’s is able to generate more sales because of its brand recognition. Through aggressive market planning, MacDonald’s has been able to recapture its youth market once again.

**-S2.**Strong global precence -with its nearest domestic competitor being only half its size, McDonald’s is the market leader in both the domestic and international markets. MacDonald’s benefit from cost reduction through economies of scale because of its enormous size and its huge global presence allows it to diversify risk involved with the economic performance of specific countries. In international markets, MacDonald’s is well placed to expand and take advantage of long-term economic growth.

**-S3.**Supplier- McDonald made horizontal alliances with their supplier which can contribute fast delivery system for chain. In term of this chain Mc Donald serve 58 mln customer per day.

**-S4.**Strong real estate profile - The company’s outlets are located in areas that are highly known for visibility, traffic volume and ease of access

***Weaknesses***

**W1**-Saturated food industry - as a result of this McDonalds has to deal with the prospect of looming market saturation, which could make it difficult to add new outlets for the market.

**W2-**Perceived lower food standards due to fast food model.-People getting more aware lower standards of fast-food and trying to eat restaurants or preparing more healthiest foods.

**W3**- People are generally tired of the same brands that they had been using over the years, so when they do not see the expected innovation they migrate to new brands. Moreover people see McDonalds every where and this over exposure might also be a reason for abstinence. Moreover maintaining the standards of such a huge chain becomes feasible and when there is lack of quality service in one store it effects the whole brand.

***Opportunities***

**O1-** International expansion- McDonald seeks to expand its business across the world. Average restaurants number are 500 for the year.

**O2-** Economic downturn may force people to opt for less expensive "fast food", rather then restaurant quality.

**O3-** Entry into the breakfast category- It is new product that McDonald offers for customers to earn profit.

***Threats***

**T1-Nutritional issues.** People are becoming more aware of the quality of the food they eat, and more people are looking for "organic", natural and vegetarian alternatives.

**T2- Increasing competition** There is also an increasing competition driven by too many competitors, which reduces the company’s ability to increase revenue. Nevertheless, the swift of the company’s focus from a value menu to a more diverse one has recently limited the negative effect of the intense price competition that was traditionally taking place among the industry leaders.

**T3. Fast food menu links with obesity-** People deviates to buy fast foods because of obesity fear.

Customers associate fast food with obesity they think fatten problem.

All of those problems are the main obstacle of McDonalds to solve. McDonald administration bears in mind those problems and created strategy for 2010 to pass over those problems and solve this hindrances.

**Strategies and objectives of McDonalds for 2010**

**Strategies**

**Product penetration**

1. Company will reimage McDonalds restaurants for 2010. As we mentioned before McDonalds trouble with perceived lower food standard and customer trends that is customer tired to see same brand. Considering this, certain strategy is successful for break this stereotips.

2. Menu innovation is priority for 2010 for the **W1** saturated food industry, **W3** customer trends, **O3** entry to the breakfast category, **T2** increased competition especially for the **T3-obesity**

**Market development**

The Company continually reviews its restaurant ownership structures to optimize cash flow and returns and to enhance local relevance. The Company expects to refranchise 1,000 to 1,500 Company-operated restaurants between 2008 and 2010, primarily in its major markets, and by continuing to utilize its developmental license strategy. In 2008, the Company refranchised about 675 restaurants, primarily in its major markets.

McDonald will also aggressively continue to open new restaurants in China and McDonald will further build its breakfast business in APMEA by increasing the number of locations where it is served, utilizing innovative marketing support and launching new products.

**Objectives**

According to meeting in 12 November 2009 investors of McDonalds defined company’s objectives for 2010 as following:

* Annual growth in sales 3-5 %
* Annual operating income growth 6-7 %
* Increase market share (open 1000 new restaurant)