
McDonalds Company: Digital Transformation And Effects

INTRODUCTION

This report is based on McDonalds ability to undergo the digital transformation and the impact the restaurant industry will have when the company transforms. McDonalds is originally an American fast food and hamburger restaurant which is now one of the largest restaurant chains in the world.

INDUSTRY ANALYSIS

Porter's 5 competitive forces

The fast food restaurant business became very competitive as many multinational and local restaurants that sells almost the same food are being opened every day. Competition is very intense because every company is striving to have a market share and there is a new saturation level that has developed. Each company is spending more on innovation, advertising and opening new franchises to increase the access to reaching new customers. The high number of competitors made competitive rivalry a strong force in McDonalds.

Bargaining power of the supplies is a weak force in McDonald because the company uses raw materials that can be bought from a large variety of suppliers. There are many suppliers that are willing to supply the needed raw materials to McDonald. McDonalds can switch suppliers easily and with low costs. Therefore, the existing suppliers cannot attempt to bargain with McDonalds or even try to force them to increase their prices.

Bargaining power of the buyers is a strong force in McDonalds. There are a lot of fast food restaurants that buyers can switch to without any switching costs if they are not satisfied with McDonalds food or prices. The buyers can complain about any McDonalds meal price and change to buy from other restaurants. Buyers are in a position of great influence on bargaining McDonalds to cut their food prices for them to come back and buy from McDonalds.

Threat of substitute products is a strong force in McDonalds. The substitutes of McDonalds meals are meals from other fast food restaurants such as pizza, bakery products and pies. These substitutes are very competitive in terms of customers satisfaction and quality. There are no switching cost if a customer wishes to switch to these substitutes.

There are many entry barriers on the international level such as high investments on advertising therefore the threat of new entry on the international level is a weak force for McDonalds. However locally there are very few entry barriers thus the threat of new entry is a strong force, one billboard of a competitor can cause a lot of problems for McDonalds. The overall threat of new entry is moderate for McDonalds.

Macroeconomic factors in the business environment

Political factors that affects McDonalds are the increasing international trade agreements which

are an opportunity for this company, the governmental guidelines for diet and health as well as the evolving public health policies which can either be a threat or an opportunity for McDonalds. Economic factors that affects McDonalds are rapid growth of developing countries, stable growth of developed countries and the slowdown of the economy since the pandemic that hit many countries early this year which came as a threat to the company.

Social factors that affects McDonalds are the healthy lifestyle trend, increasing cultural diversity and high level of employment as many people will have more money to dispose. Technological factors that affects McDonalds are the increasing uses of 4IR technologies and the moderate R&D activity in the restaurants industry which are both an opportunity to the company.

Environmental factors that can affect McDonalds are the increasing interests for corporate environmental programs, emphasis on the sustainable strategy and the climate conditions changing in some parts of the countries. Legal factors that affects McDonalds are the increasing animal welfare regulations and the rising legal minimum wages for restaurants workers which is a threat to the company.

VISION AND OBJECTIVES

McDonalds vision is “to move with velocity to drive profitable growth and become an even better McDonalds serving more customers delicious food each day around the world”. This vision statement makes the company want to achieve growth and improvements when conducting their businesses.

Their objective for food is to serve more of the 100% healthy food in nine of their top markets such as fruits, vegetables, low-fat dairy or whole grains. For the sourcing objective McDonalds is planning to have 100% of its coffee, palm oil and fish verified as supporting sustainable and 100% of its fibre-based packaging from certified or recycled sources. Their objective for the planet is to save 20% increase in energy efficiency of restaurants, they also planned to increase the amount of in-restaurant recycling to 50% and minimize waste products.

Stakeholders of McDonalds are its employees, customers and suppliers. These three stakeholders have a great direct impact on the daily operations of this company. McDonalds also engages with the experts from the local communities and the non-government business. The competitors are additional stakeholders of this company as they challenge each other on daily basis on becoming the best in the industry. The government is also an additional stakeholder because it makes laws that govern some activities that take place in McDonalds daily.

BUSINESS MODEL

- Key partners at McDonalds are its franchise holders, each franchise must make sure that they make profit.
- Key resources of McDonalds are their employees, machines, equipment and their restaurants on different countries.
- Key activities and processes that McDonalds engages in are to make fast food, marketing and selling the food and beverages.
- Company’s outputs are hamburgers, chips, nuggets and other meals that they sell with

beverages and ice-creams as siders.

DELIVERING VALUE

McDonalds segment includes the children, youth and the busy working people who don't have enough time to cook. The company uses geographical, demographical, behavioural and psychographic variables to segment the market. The geographic segment used at McDonalds take into account the region criteria which includes domestic and international customers. They also take the density criteria into account where they cater for both urban and rural customers.

McDonalds demographic segment focus on the age and gender criteria where both males and females between the age of 8-45 are segmented. They also take occupation criteria into account which includes students, employees and professionals. The behavioural segment used at McDonalds include the degree of loyal criteria where hard core loyal are segmented. They have a benefit sought criteria where only the cost benefits and time efficiency customers were segmented.

McDonalds segmented the personality criteria of easy going and careless customers, they also segmented the user status of easy going and regular fast food eaters. The psychological segment used in this company includes the social class criteria of lower, working and middle classes. They have the lifestyle criteria where they segmented the resigned, struggler and mainstreamer customers.

Assumptions of choosing the segment was that they wanted to know the exact segments so that they can position their product to that segment. McDonalds uses the life-cycle stage to segment its customers and there after positions itself as a low-cost fast food restaurant which is family friendly. The sales channels that the McDonalds use to reach their different segments are selective since their products can be found at their restaurants, their McDonalds app as well as the Uber app.

The main sales channel they are using is the direct-to-customer channel where they make their products and sell them to customers at their restaurants or their McDonalds app. They also use the business to business sales channel where they sell their products to customers through uber eats. Lastly, they use the retail sales channel where they sell brand soft drinks from the manufacturers to customers.

DISRUPTIONS

The fastest and easy to use technologies are being adopted by different industries for a better service delivery, the restaurant industry is about to do the same. There are seven digital trends that are going to bring a change in the restaurant industry that will affect the daily operations of McDonalds.

Online and Mobile Commerce

Many customers are placing their orders online instead of coming to eat and order at the restaurants. McDonalds has an app where customers can order online but they made breakfast to be a sit in where customers go to their restaurants to order.

Personalized Marketing

There is a wide range of customer segments that restaurants have to deliver to and they have different needs. Each customer wants a personalized experience and orders.

Geo-location

The Geographic Information System and Location analytics tools are now helping the restaurants to know when their customers are near so that they can advertise their products to attract them to come and purchase. The food delivery drivers also use the Geo-tracking to find the fastest route to their customers.

Real-time Business Intelligence

The restaurants which have real-time business intelligence make decisions that are informed. The use of BI and analytics software has become essential for a restaurant to gain the real-time business intelligence. The artificial intelligence algorithms are also an important tool to forecast the sales considering different conditions

Digital kiosks for self-service

Digitalized kiosks offer contact-less experiences and it eliminates the possibility of making wrong orders.

Digitally-enabled contactless delivery

Customers can now place orders and make the payments on an app or a digital kiosk without cashiers helping them. The drones are about to take the job of delivering food to customers.

Labour and inventory management

There will be a great unemployment and massive business loss due to the resources being not enough as the technology is developing very fast.