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EXHIBIT 7 McDonald's Corporation's Values

We place the customer experience at the core of all we do

Our customers are the reason for our existence. We demonstrate our appreciation by providing them with high quality food and superior service, in a clean, welcoming environment, at a great value.

We are committed to our people

We provide opportunity, nurture talent, develop leaders and reward achievement. We believe that a team of well-trained individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to our continued success.

We believe in the McDonald's system

McDonald's business model, depicted by the "three-legged stool" of owner/operators, suppliers, and company employees, is our foundation, and the balance of interests among the three groups is key.

We operate our business ethically

Sound ethics is good business. At McDonald's, we hold ourselves and conduct our business to high standards of fairness, honesty, and integrity. We are individually accountable and collectively responsible.

We give back to our communities

We take seriously the responsibilities that come with being a leader. We help our customers build better communities, support Ronald McDonald House Charities, and leverage our size, scope and resources to help make the world a better place.

We grow our business profitably

McDonald's is a publicly traded company. As such, we work to provide sustained profitable growth for our shareholders. This requires a continuing focus on our customers and the health of our system.

We strive continually to improve

We are a learning organization that aims to anticipate and respond to changing customer, employee and system needs through constant evolution and innovation.

Source: <http://www.mcdonalds.com>.

MCD has made significant changes to become a socially and environmentally friendly company. It has been recognized for its efforts in inclusive excellence with respect to employing and creating opportunities for minorities. MCD has been listed among the "top 40 companies" by *Black Enterprise Magazine* for 2005 through 2007. It established its first Global Environmental Commitment in 1989. Since then it has been actively seeking to reduce its carbon footprint by using recycled packaging. Additionally, Ronald McDonald's Foundations raise millions of dollars each year for children-centered causes in the community.

According to Skinner, MCD's CEO, "Corporate responsibility means many things to many people. At McDonald's, being a responsible company means living our values to enable us to serve food responsibly, and work toward a sustainable future." (MCD either does not have a written mission statement nor vision statement or these documents are not publicly available because I could not locate either of these at the time this case was written.)

Competitors

The food service industry, also known as the restaurant industry, is large and lucrative with a market capitalization of \$104 billion and a price-to-earnings (P/E) ratio of 80.2. Yet it is highly fragmented with over 550,000 restaurants ranging from small local eateries to global giants like MCD and Yum! Brands, Inc. MCD towers over its direct competitors in the industry with a market cap of \$59.8 billion in May 2009. Yum! Brands, which has a market cap of only \$16.3 billion, and Burger King Holdings, Inc., whose market cap is \$2.46 billion, are second and third, respectively. Even though

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34 PART 1 • OVERVIEW OF STRATEGIC MANAGEMENT

Wendy's directly competes with MCD in this industry, Wendy's is currently owned by a private holding company, the Wendy's/Arby's Group. A brief summary of competitor financial highlights is provided in Exhibit 8.

Burger King (BKC)

Founded in Miami, Florida, in 1954 under the name "Insta Burger King" by James McLamore and David Edgerton, Burger King Corporation (BKC), a subsidiary of Burger King Holdings, Inc., owns or franchises about 11,500 restaurants in the United States and 70 foreign countries, including Canada, Europe, the Middle East, Africa, the Asia Pacific, and Latin America. Even though it is considered the second largest burger chain in the world, it ranks third in size in the food service industry. With a market capitalization of \$2.46 billion, revenues of \$2.55 billion, and 41,000 full-time employees, BKC trails behind McDonald's in several categories in the fast-food industry, including operating margins, earnings per share (EPS), and P/E ratio.

In addition to its famous "Whopper sandwich," BKC offers a variety of burgers, chicken sandwiches, breakfast items, and salads that compete directly with MCD. BKC, since the 1980s, has a long-standing contract with the Army and Air Force Exchange Service. As such, every major army and air force location worldwide has a Burger King restaurant on its premises.

Yum! Brands (YUM)

Yum! Brands, Inc., formerly known as TRICON Global Restaurants, Inc., was founded in 1997 and changed its name to Yum! Brands, Inc. in 2002. Yum! operates over 36,000 restaurants in 110 countries. Yum! owns prominent restaurant chains, such as Kentucky Fried Chicken (KFC), Pizza Hut, Taco Bell, Long John Silver's, and A&W. Headquartered in Louisville, Kentucky, it has a market cap of \$15.56 billion, has 50,400 employees as of May 7, 2009, and is the closest competitor in size to McDonald's. Headquartered in Louisville, Kentucky, Yum! is considered the second largest in the global fast-food service industry. Offering more than one brand at a single location has helped Yum! increase traffic at a single real estate location. Each of its flagship brands also dominates the segment. For example, Taco Bell holds 60% of the Mexican fast-food segment, KFC holds a respectable 45% of the fast-food chicken business, and Pizza Hut leads the pizza business with a 15% market share in the pizza business segment. In addition to seeking growth through acquisition of prominent brands, since its restructuring in 2006, Yum! has been pursuing aggressive expansion overseas by expanding at the rate of 700 new locations for the seventh consecutive year since 1999. In China alone, it has more than 2,600 restaurants, accounting for 15% of its revenues.

EXHIBIT 8 McDonald's versus Rivals, Year-end 2008
(B = \$billion; M = \$million)

	MCD	YUM	BKC	(Fast) Food Service Industry	SBUX	Specialty Eateries Industry
Market Cap	61.17 B	15.57 B	2.45 B	161.69 M	10.1 B	1.64 B
Employees	400,000	50,400	41,000	5,700	176,000	2,140
Revenue	22.99 B	11.08 B	2.55 B	403.14 M	10.04 B	1.31 B
Gross Margin	37.09%	24.53%	33.13%	21.51%	54.24%	32.2%
Net Income	4.35 B	928 M	192 M	N/A	88 M	N/A
EPS	3.827	1.914	1.402	0.09	0.119	0.12
P/E	14.35	17.65	13.01	17.91	114.79	22.33

MCD = McDonald's Corporation

BKC = Burger King Holdings, Inc.

YUM = Yum! Brands, Inc.

SBUX = Starbucks

Source: Based on <http://finance.yahoo.com>.

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Wendy's (WEN)

Founded in 1969, based in Dublin, Ohio, and operating over 6,600 restaurants, Wendy's International, Inc., owns 1,400 of the 6,600 restaurants. With 44,000 employees in 2007, Wendy's ranks fourth in the industry, behind McDonald's, Yum!, and Burger King. The company is well known for its unique square single, double, or triple made-to-order burgers and fries, and alternative menu items, such as baked potato, chili, and salads. Its new low-priced menus directly compete for market share with MCD. It holds a unique position in the industry as an old-fashioned eating place in the fast-food business and was recognized in 1986 as the most favorite quality brand by *QSR Magazine* for the second year in a row and earned first place for customer satisfaction in the "limited service restaurants" category in that year's American Customer Satisfaction Index survey. With revenues of \$2,450 million in 2007, Wendy's currently operates as a subsidiary of the Wendy's/Arby's Group, a private company.

Starbucks Corporation (SBX)

Even though Starbucks is no direct competition for MCD's core business, MCD is now in the fighting ring with Starbucks for the specialty coffee niche. Therefore it is important to view Starbucks as a new direct competitor. Starbucks was founded in 1985 by Howard Schultz, who recently came out of retirement to serve as chairman, CEO, and president. The company is usually grouped with the high-priced, high-margins specialty eateries industry. Starbucks' annual revenues are \$10.04 billion, less than half of MCD's. Starbucks' gross margins at 54.24 percent are 17 percent points higher than McDonald's. With 176,000 employees and strong brand recognition, Starbucks is seen as a leader in the specialty eateries industry.

External Threats

Because of its global reach and brand recognition, MCD continues to face significant threats to its aggressive growth strategy at home, one of which is the growing awareness among the medical and scientific community as well as the public of the direct relationship between diet and health. A joint research study recently conducted at the University of California, Berkeley, and Columbia University and published in March 2009 concluded that the presence of a fast-food restaurant within 500 feet of a school is associated with at least a 5.2 percent increase in the obesity rate in that school, suggesting significant health benefits of banning fast-food restaurants close to schools if communities are interested in fighting the growing epidemic of obesity among young adolescents in America.

MCD continues to encounter lawsuits brought about around the world by activists and irate parents of children less than 18 years of age. In 1990, in the McLibel Trial, also known as *McDonald's Restaurants v. Morris & Steel*, activists from a small group known as London Greenpeace with no affiliation with the Greenpeace organization printed and distributed information under the title, "What's wrong with McDonald's?" In that printed information that was widely circulated in London, they criticized MCD's environmental, health, and labor record. The corporation wrote to the group demanding them to retract and apologize, but when the two key activists refused to back down, MCD sued them for libel. It turned out to be not only one of the longest cases in British civil law, but it also turned out to be a public relations nightmare for MCD. A documentary film capturing this saga continues to be shown in several countries, including the United States.

MCD's premises continue to draw antiglobalization activists from around the world. In 1999, French activist José Bové vandalized a half-built McDonald's to protest against the introduction of fast food in the region. As recently as 2009, activists vandalized MCD's restaurants during the G-20 summit in protest of the poverty and income inequalities brought about by globalization.

The documentary film, *Super Size Me*, which argued that MCD's menu was contributing to the obesity epidemic and that the company provided no nutritional information about its products, caught MCD executive's attention quickly. Within six weeks after the film's debut, MCD eliminated the supersize option from its meal options.

In April 2006, the global activist organization Greenpeace alleged that MCD, as a client of the agricultural behemoth Cargill, was contributing to the destruction of the Amazon rain forest in Brazil and the invasion of the indigenous people's lands when it bought chickens fed with Brazilian soya. Furthermore, global activists argue that MCD's operations overburden scarce drinking water supply away from the poor local communities by diverting it to the frivolous production of supplies to support MCD.

Unfavorable changes on the sociopolitical, legal, and environmental fronts at home and overseas as well as currency rates may adversely affect MCD without prior notice. Cost of supplies may