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Information System Strategy

# Michael Porter’s Five Forces Analysis of McDonald’s

McDonald’s is the USA fast food restaurant operating around the world. It was found in 1940 as a barbecue restaurant, by Maurice and Richard McDonald in California. Today McDonald's is the world’s leading food chain having more than 37000 outlets, and working in more than 100 countries. According to a report the company serves about 69 million people every day. Competition has raised, and new competitors with a concrete strategy entered the market, which became a treat for the company. The Porter model is used to analyze the industry rivalry and different structural factors including the number of firms, customers flow, suppliers influence, barriers of entry and exit (Grant, 2016, P.87). To analyze competitive rivalry, and other forces we will discuss Porter's five forces model for McDonald's. Following is the detailed five forces model Analysis of Michael Porter for McDonald.

Competitive Rivalry

The fast-food business is the growing and most competitive business in the modern world. There are so many multinational brands in the market such as Burger King, KFC, Pizza Hut, Wendy's, New Yorkers, and many other local brands in every country. Each competitor has a strong market strategy and spending aggressively on the advertisement, innovation, and improving their menus. Every business is rapidly growing and increasing its number of outlets to improve their market shares. The competitors of McDonald's are strong and renowned brands operating in various regions around the globe.

Threat of New Entrants

The threats of new entrants is the moderate level. In the international level, the threat of new entrant is not very strong because of the number of barriers, and huge investment is required. To become a strong competitor of McDonald's a huge investment and strong management team is needed, to open numerous outlets around the world. However, there are still many successful businesses in this field who are expanding its operations steadily around the world.

Bargaining Power of Suppliers

McDonald's uses various raw materials such as chicken, potatoes, cheese, and other products available through a large number of suppliers. The bargaining power of supplier is weak because of the variety of suppliers available in the market. The suppliers of McDonald's is not in a position to bargain with the company and raise its prices (Wee, 2017, P.38). Strong supplier power is usually a threat for the companies and accepts all their conditions.

Bargaining Power of Buyers

When there are many brands and competitors in the market, customers have the option to switch to other restaurants. The bargaining power of the buyer is strong because they can switch easily if they are not satisfied with the foods of McDonald's. The buyers have the option to protest against the higher prices of foods of the company. The threat to McDonald's in the current market is due to the continuous increase in its prices.

Threat of Substitute

The threat of substitute is strong, because the meals of the restaurant is slightly different from the foods of other restaurants like KFC, Pizza Hut, etc, as well as the home cooked meals. Moreover, the bakery food and cookies are also its potential substitutes, and these are relatively cheap and tasty.

# Use of Technology

##### McDonald's is fully integrated with kiosk service and mobile ordering. It added more ordering options for its customers through mobile ordering and waiting in their cars. In some parts of the USA, delivery services are introduced. The company aims to save the time of its customers through technological advancement. The internal processes are automated and increased the capacity of production through digital appliances. Technology not only saved the time of preparing food, but also improved the quality of the food. The food prepared with the latest technology is highly hygienic(Badal, 2017, p. 29).

# Works Cited

Badal, A. "McDonalds Corporation–2015 (MCD)." Academic Journal of Business. Administration, Law & Social Sciences 3.2 (2017): 27-40.

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