

McDonald's & McCafé Initiative – Case Analysis

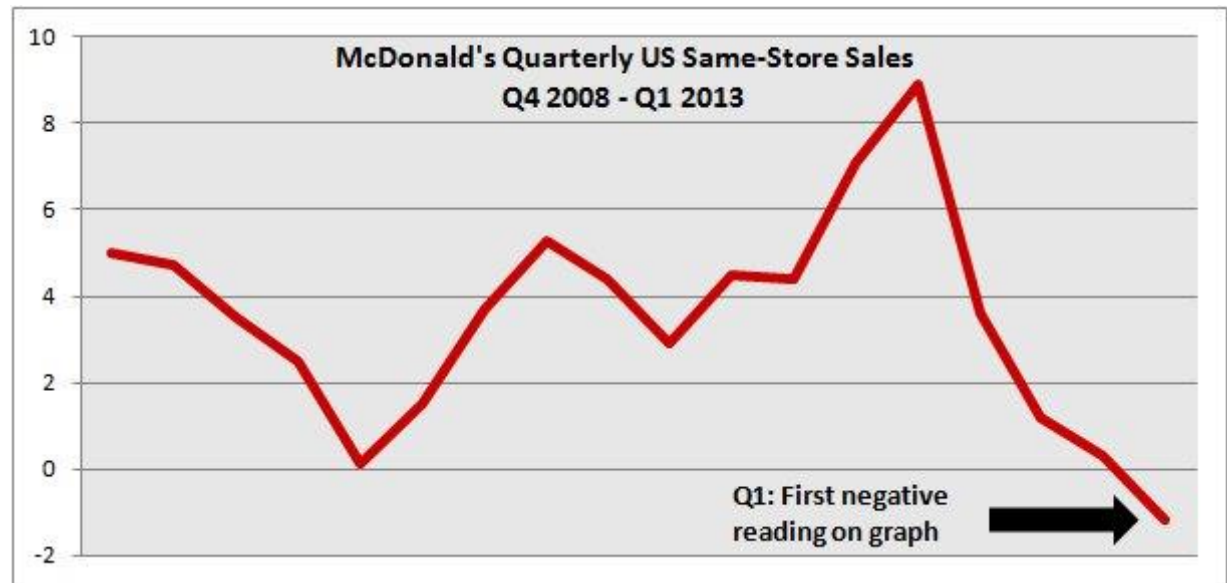
York University Management Policy-1 Course
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Breakfast segment continually losing market share to competitors.

Main Issue

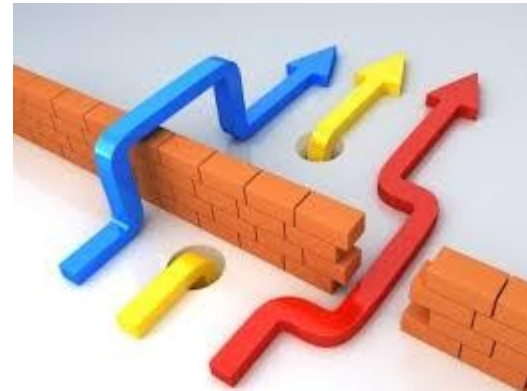


Issue Analysis – Porter's Five Forces Model



Threat of New Entrants:

- Economy of scale being eroded by innovator's
- Differentiation – Tim's brand loyalty is strong, McCafé's is weak and losing market share
- Switching costs – none; restaurant equipment is basically generic.



Issue Analysis Cont'd.



Bargaining Power of Buyers:

- Customers play them against competitors
- Many breakfast places;
- Consumer's looking for value.

Canadians want perception of quality; McCafé has poor image while Tim's is positive.



VS



Issue Analysis Cont'd.

Threat of Substitutes:

- Eating at home and saving money
- Various Asian breakfast types;
- Independent local Italian café's
- Many breakfast and coffee options



Issue Analysis Cont'd.

Competitive Rivalry:

- Tim's menu expansion received well
- McDonald's essentially ignored Tim's
- Most competitors expanding their offerings
- McCafé only has 7.1% market share

Products & services seen as near commodity.



S-W-O-T Analysis



Strengths:

Scale; Franchisee relationship; standardized coffee.

Weaknesses:

Customer experience; breakfast Operations; poor scanning; slow response.

Opportunities:

Distribution alliance; McCafé CRM; breakfast diversity.

Threats:

Alienating adult segment; Future competitive response; action plan failure.

Our Recommendations



1. New McCafé CRM Plan:

Pros – brand awareness; repeat purchases; retention; data acquisition.

Cons – continuous investment; imitation; customer interest.

2. Diversify Breakfast Menu:

Pros – more ethnic customers; cross-over sales; a positive appeal.

Cons – More training; supply-chain coordination; targeting difficulty; profitability.

Our
Recommendations
Cont'd.



3. Distribution Alliance with The Bay:

Pros – increased brand awareness; perception of quality-image; more store traffic.

Cons – may not induce store traffic; limited hours & exposure; limited products.

<http://youtu.be/UbAc5g8gMQQ>

4. New Store Concept:

Pros – customization; customer experience; quality perception; raises McCafé image; higher volumes & margins; faster service.

Cons – potential drive-thru issues; costs; training; available space; Franchisee interest.

Short-Term Plan – Implementation

Diversify the Breakfast Menu (6 months)

- Marketing survey
- Retain suppliers
- Test-market menu
- Feedback surveys
- Marketing campaign
- Involve Franchisees
- Monitor results
- Make adjustments



Long-Term Plan – Implementation



New Store Concept (1-2 Years)

- New Operations Manager
- Design store concept
- Retrofit Corporate stores
- Approvals and training
- Limited marketing plan
- Market surveys & feedback
- Adjustments
- Involve Franchisees then retrofit
- Monitor drive-thru and results
- Revisit other Franchisees

Final Thoughts

Conclusion:

- ✓ Implement both plans
- ✓ Gives maximum overall effect
- ✓ Increase segment sales by 20%
- ✓ New McCafé brand image
- ✓ Regain market share

