

McDonald's Case Study: Sustainability Strategy in the Fast-Food Industry and Its Implementation Challenges

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Abstract: McDonald's faces sustainability challenges amidst a fiercely competitive industrial environment. This paper examines the strategies of McDonald's on sustainability issues, such as sustainable sourcing, waste reduction, and greenhouse gas emission targets. It also outlines the operational challenges related to high costs, supply chain complexity, and changing consumer preferences toward healthier and environmentally responsible options. Using SWOT and Porter's Five Forces, this report identifies its strengths in McDonald's strong franchise network and its digital innovations while threats emanate from increased competition and pressure on sustainability. The recommended action plan includes menu innovation, conducting in-depth market research and developing healthy dishes, adding healthy options, regularly updating the menu, adopting eco-friendly packaging materials to enhance sustainability efforts, and leveraging digital technology to adapt to the ever-changing consumer demands. It is suggested to integrate these strategies through a comprehensive approach to maintain competitive advantage and ensure the brand's long-term relevance.

1 INTRODUCTION

In recent years, the trend of healthy eating has become increasingly prominent globally, with consumers' demands for food no longer limited to satisfying hunger but rather focusing more on nutrition and health. Among them, the demand for low-fat, low-sugar, organic, and vegetarian foods has shown a rapid growth trend. With the increasing demand for healthy eating and environmental sustainability among consumers, the quick-service restaurant industry faces transformations such as international development, requirements for environmental protection and sustainable development, personalized customization, and technology application (McDonald's Corporation, 2023b).

At the same time, it also needs to address challenges such as cultural differences. The order volume growth of traditional fast-food giants, known for their high-calorie and high-fat offerings, has slowed down and even declined in some regions. In contrast, new fast-food brands featuring healthy ingredients, organic vegetables, and low-sugar sauces have rapidly emerged, attracting a large number of

young consumers who pursue a healthy lifestyle. As a global fast-food giant, McDonald's is attempting to reshape its brand image through menu innovation and sustainable development practices. However, the implementation of this strategy involves supply chain adjustments, high-cost investments, and coordination with franchisees, posing challenges to its global operations (Harvard Business School, 1995).

Factors that have contributed to McDonald's declining sales from maintaining dominance in the industry include customer dissatisfaction, operational inefficiencies, and threats of competitors in the fast-food industry. McDonald's has put in a great effort to bring back its reputation through modernizing by menu customization, trying to make it more creative. Additionally, McDonald's aims at changing its structure while taking digital initiatives. However, the company had to grapple with overly complicated menus, issues with labor, delays in service, and pressure exerted by franchisees (McDonald's Corporation, 2023b).

McDonald's is also suffering from global economic pressure due to currency fluctuation and food safety scandals while consumer preference is shifting towards healthier and more high-quality food

options. The most important issue that McDonald's is facing now is the rebranding of the company to recapture consumer loyalty by upgrading their operational streamline and sustaining long-term profitability in the competitive fast-food industry. This report will analyze the challenges McDonald's is currently facing as well as future opportunities.

2 SITUATIONAL ANALYSIS

It is crucial that McDonald's have a proper understanding of the prevailing internal and external factors affecting its business to ensure continued leadership in the markets. This Situation Analysis looks at these factors using the SWOT analysis and Porter's Five Forces framework.

2.1 SWOT Analysis

2.1.1 Strength

McDonald's, as a dominant player in the fast food industry, also has a powerful global presence associated with affordability and consistency. McDonald's also has a well-established franchise model across over one hundred countries providing consistent cash flow from franchise fees (Harvard Business School, 1995). The franchise model is a significant strength, giving area for rapid growth with minimal capital investment from the corporation. This generates a stable revenue stream through franchise fees while enabling operational agility through local franchisee management.

McDonald's has also adopted many digital innovations such as mobile ordering, self-service kiosks, and partnering with food delivery platforms to make it more convenient for consumers (McDonald's Corporation, 2023b). Digital innovation can also reduce wait time through streamlined operations and increase the accuracy of orders. McDonald's also localizes its menu to appeal to broader customer preferences, even in the international market.

2.1.2 Weakness

McDonald's has a very complex menu which continuously expands over time across many categories. Although diversity is a strength that a corporation has, in McDonald's case, this has led to many inefficiencies in operations while service time also increases, and the supply chain becomes more complex (McDonald's Corporation, 2023b). A large menu is great, but it causes more preparation steps

and ingredients, which slows down service time—a key aspect of fast food.

The labor issue that the company is facing, along with public criticism, particularly with low wages and poor working conditions, is another major challenge (McDonald's Corporation, 2023b). How McDonald's treats workers largely impact service quality and increases recruitment and training costs, especially due to low wages. Disagreements between corporate and franchisees also create tension, making it harder for McDonald's to address labor issues.

Additionally, one significant weakness McDonald's faces is the increase in supply costs caused by rising costs for raw materials, transportation, packaging, and labor. These factors all contribute to higher operational expenses, which directly affect profitability (McDonald's Corporation, 2023b). Due to factors like global demand, environmental challenges, and geopolitical events, raw material prices such as meat and vegetables fluctuate. Transportation costs, sustainable packaging requirements, and labor shortages further compound these expenses (McDonald's Corporation, 2023a).

2.1.3 Opportunity

Consumer preferences are also shifting towards healthier eating, which provides McDonald's a great opportunity to expand its menu options (McDonald's Corporation, 2023b). As more consumers become more health-conscious, McDonald's implements more organic, plant-based, and lower-calorie options to meet consumer demand and lifestyle preferences. Expanding the McCafé brand has been successful in offering healthier beverage options as well as reinforcing this strategy.

There is also potential growth in emerging markets such as Africa, Asia, and Latin America. With the rise in population income and increasing urbanization, the demand for fast food is growing. McDonald's is well positioned to capitalize on these expanding economies (McDonald's Corporation, 2023b). Digital innovation is also an ongoing opportunity, with McDonald's continuing investment in its app, delivery system, and loyalty program allowing it to maintain competitiveness by improving consumer experiences.

2.1.4 Threats

McDonald's faces threats from competition with other traditional fast-food competitors and emerging fast-casual brands (McDonald's Corporation, 2023b). Examples of rivals include Burger King, Wendy's, and Yum! Brands' Taco Bell. Brands like Chipotle

and Panera Bread emphasize healthier and higher-quality food, attracting a growing segment of consumers who are willing to pay more for premium options. The rise of digital-first and delivery-only competitors also presents a significant threat, such as companies like DoorDash and UberEats (McDonald's Corporation, 2023b).

Environmental concerns are another key threat. McDonald's has been criticized for excessive use of plastic and its reliance on meat, which contributes to a significant carbon footprint (McDonald's Corporation, 2023a). As consumer demand for sustainability grows, McDonald's faces pressure to demonstrate its responsibility and initiative in creating meaningful environmental improvements.

Economic downturns, such as recessions, could also reduce consumer spending on discretionary items like fast food (McDonald's Corporation, 2023b). As disposable income fluctuates, customers may opt for cheaper alternatives, further impacting sales.

2.2 Porter's Five Forces

2.2.1 Threats of New Entrants: Moderate

Barrier to Entry: New entrants face the challenge of established competitors like McDonald's who hold great benefit from brand loyalty and scale. **New Competition:** Brands like Shake Shack and Five Guys have disrupted the market by offering more premium items. Since McDonald's already established a global presence, it limits the treats, but niche competitors continue to emerge. **Capital Requirements:** Opening a single fast-food outlet requires moderate capital, but replicating McDonald's expansive franchise model with global supply chain efficiency and brand recognition is costly and complex. **Brand Loyalty:** McDonald's enjoys strong customer loyalty due to its reputation for consistency and convenience. New entrants would need significant marketing investments to overcome this advantage.

2.2.2 Bargaining Power of Suppliers: Low

McDonald's also benefits from bargaining power over suppliers due to its vast volume of sales and also holding long-term supplier relationships. The company's reliance on standardized ingredients reduces supplier influence and uses its vertical integration to strengthen its control over the fast-food supply chain. As a result, suppliers have minimal power to affect the operation process of McDonald's.

2.2.3 Bargaining Power of Consumers: Moderate to High

Consumers have a wide range of choices to select healthier or fast casual alternatives holding a moderate to high power because of other rival brands and delivery platforms. McDonald's price sensitive customer base can easily switch to competitors while consumer's preference starts to shift to healthier menu options which further increase consumer bargaining power.

2.2.4 Threats of Substitutes: High

Strong substitution threats not only from fast casual brands like Chipotle and Panera Bread but also from delivery services such as UberEATS and DoorDash or from ready to eat meals in grocery stores. These alternatives provide more convenience and more variety of healthy dining options that appeal to what consumers are looking for nowadays which increases the threats of substitutes.

2.2.5 Industry Rivalry: High

Major players like Burger King, Wendy's, and Taco Bell compete aggressively for market share as well, moreover, premium burger chains like Shake Shack add to the pressure of industry rivalry. McDonald's must continuously innovate and differentiate itself in this crowded marketplace by engaging in promotions, price reductions, and launching new products.

Using Porter's Five Forces, it can be gleaned that McDonald's is threatened by strong rivalry and high threats of substitute products, driven by fast-casual alternatives that have disrupted meal delivery service markets. The bargaining power of suppliers is low given McDonald's scale, while the bargaining power of buyers is moderate to high, with many other dining options. It is paramount that McDonald's keeps leveraging its strengths for benefit by adapting to consumer trends and working toward complete resolution of its operational inefficiencies.

3 THE CORE CONTENT OF MCDONALD'S SUSTAINABLE DEVELOPMENT STRATEGY

3.1 Environmental Protection and Sustainable Development

Sustainable development has always been a core keyword in the strategic planning of major corporations, while environmental protection is the keyword for development in the 21st century. Since the 21st century, environmental issues have become increasingly severe, with white pollution in the catering industry being a particularly affected area. It is now the primary objective for the catering industry to integrate environmental protection with its own sustainable development. McDonald's most successful approach in this regard is the adoption of green packaging, which reduces the use of plastic packaging in its products.

From July 1, 2020, McDonald's has gradually phased out the use of plastic straws and switched to strawless lids. Based on previous data from McDonald's China, this move is expected to reduce plastic waste by around 400 tons annually. This is McDonald's most successful initiative, as it avoids the difficulties in recycling small and narrow plastic straws, reduces the cost of each beverage order, and builds McDonald's brand image as low-carbon and environmentally friendly, achieving multiple benefits. While also using eco-friendly packaging to reduce pollution, McDonald's has taken other measures, such as using paper takeout bags in 2007, switching from plastic to paper cups for McFlurry in 2010, and gradually reducing the use of packaging paper between 2016 and 2018.

3.2 Social Responsibility and Employee Welfare

The study indicates that employee benefits have a positive impact on corporate employees (Yang, 2024). There are various ways to demonstrate a brand's social responsibility, and the most direct display is through its employee welfare system. Employee welfare management constitutes a critical component of modern human resource management systems, playing a significant role in motivating employees and enhancing overall organizational performance (Yang, 2024). In March 2024, McDonald's China announced that it would provide more benefits to its employees, aiming to create a label of happiness in the fast-food industry.

According to public information, McDonald's China employees will receive more comprehensive medical insurance, including but not limited to outpatient, inpatient, and critical illness insurance.

Additionally, the company will introduce a flexible scheduling system to accommodate the lifestyle needs of different employees, particularly those with family responsibilities, which will greatly reduce their life pressures. This move by McDonald's China will have a profound impact on the fast-food industry. On the one hand, it can spark positive welfare competition, prompting other brands in the industry to improve employee treatment. On the other hand, it will help McDonald's China enhance the quality of its employees, improve overall service levels, and indirectly enhance consumer experience.

3.3 Health and Nutrition

With the shift in consumers' dietary preferences, the focus has gradually expanded from "low sugar" and "low fat" to equal emphasis on "green" and "low carbon," making the green and low-carbon transformation of the catering industry increasingly important (Dong&Yan, 2024). As a high-carbon emission industry, the catering sector has tremendous potential for carbon reduction and has become a key target of dual-carbon policies. In response to the requirements for low-carbon, green, and circular development, McDonald's is actively implementing green and low-carbon transformation strategies, including building a drive-through restaurant at Qunming Lake in Shougang Park, Beijing, as the world's first "zero-carbon, zero-energy restaurant," using 100% recyclable building materials for restaurant renovation, and comprehensively adopting recyclable packaging (Peninsula Morning Post, 2022).

These initiatives not only meet consumers' demands for healthy, environmentally friendly, and sustainable diets but also promote the development of new consumption patterns such as green catering and low-carbon catering. Under the trend of continuous intelligence, greening, organic transformation, branding, and clustering in the catering industry, integrating dual-carbon goals and policies into the operation and management of catering enterprises will become an inevitable choice for driving the future development of the catering industry, opening up new development spaces for the industry (Dong&Yan, 2024).

4 THE IMPLEMENTATION EFFECTS OF MCDONALD'S SUSTAINABLE DEVELOPMENT STRATEGY

4.1 Performance in the Global Market

McDonald's has actively promoted its green sustainable development strategy globally, which has not only significantly elevated its international brand image but also gained recognition from a considerable portion of young consumers. It has successfully embedded the concept of a "green brand" into consumers' minds, enhancing their trust and loyalty to the brand. Moreover, McDonald's actions in environmental protection have served as a model for other companies in the industry, driving the green development of the entire fast-food sector.

Simultaneously, McDonald's has collaborated with the U.S. power grid to promote cooperation in new renewable energy technologies and adopted eco-friendly new materials, significantly reducing carbon emissions from its restaurants. Influenced by McDonald's green supply chain requirements, upstream suppliers have shifted to more environmentally friendly production methods. This has not only improved the sustainability of the entire industrial chain but also accelerated the development of related technologies and standards. These efforts have received widespread support and recognition from the international community (McDonald's Corporation, 2023). The positive impact of the environmental protection strategy is not only reflected in the brand image but has also significantly boosted McDonald's market performance.

Despite the overall positive response, McDonald's sustainable development strategy also faces certain doubts and challenges. For example, some consumers believe that the promotion of environmental protection initiatives outweighs their actual effectiveness, and the acceptance of green products in some markets still needs further cultivation. In response, McDonald's can strengthen transparent disclosure of actual achievements, use data and case studies to enhance persuasiveness, and simultaneously raise consumers' environmental awareness through educational activities.

4.2 Highlights of Regional Markets

Taking the Chinese market as an example, McDonald's has actively promoted the construction and promotion of green restaurants since 2018

(McDonald's China, 2024a). As of October 2023, it has more than 2,500 LEED-certified green restaurants, with over half located in second- and third-tier cities, achieving remarkable energy-saving and emission-reduction results (McDonald's China, 2024a). Meanwhile, McDonald's China focuses on the localization and greening of its supply chain, sourcing over 95% of its raw materials locally and encouraging the use of clean energy transport vehicles to reduce carbon emissions (McDonald's China, 2024b).

McDonald's China has also actively promoted green packaging, reduced the use of plastics and packaging materials, and established a comprehensive recycling system. By hosting green-themed events and promoting green products, McDonald's China has raised consumers' awareness and participation in green consumption. Against the backdrop of the Chinese government's strong emphasis on environmental protection and green development, McDonald's China has actively responded to policy calls, seized market opportunities, promoted its own green development, and received government support and recognition.

4.3 Strengthening Brand Building and Consumer Communication

Huang Jingwen, Gong Wenjing, Lin Xin, etc. (2018). The key to creating a unique image in the hearts of consumers is that McDonald's needs to formulate a clearer brand positioning and spread the brand story. If a brand has a clear positioning and an attractive story, it will be easier for consumers to remember. Take McDonald's for example, by releasing its own story through channels such as Douyin, consumers can have an in-depth understanding of McDonald's history, culture, and values. In this way, consumers' trust in the McDonald's brand will increase.

McDonald's actively participates in social public welfare activities, which is helpful for establishing a good corporate image. When consumers see McDonald's making contributions in social public welfare, they will naturally have a good impression and respect for the McDonald's brand, and McDonald's social recognition and reputation will also be improved. In terms of communicating with consumers, it is particularly important for McDonald's to establish a perfect customer feedback mechanism. With this mechanism, McDonald's can timely know consumers' needs and dissatisfaction and then make timely adjustments and improvements.

4.4 Flexibly Coping with Global Economic Fluctuations

The global economic situation is constantly changing and is very unstable. If McDonald's wants to develop steadily, it must closely monitor the economic situation and think of countermeasures in advance. After all, when the economy fluctuates, consumers' consumption ability and willingness will be affected.

For example, when the economy is not good, consumers may go out to eat less or choose cheaper restaurants. At this time, McDonald's can attract price-sensitive consumers and stabilize the market share by adjusting the pricing strategy and flexibly launching promotional activities and packages.

It was also mentioned when analyzing McDonald's marketing strategy in China, McDonald's needs to adjust its business strategy according to the market environment and consumers' reactions (Huang & Han, 2022). If McDonald's does not adjust in time according to the economic situation, its sales volume may decline significantly when the economy is not good.

For McDonald's, it is particularly important to strengthen cost control and financial management, which can improve the enterprise's ability to resist risks. When the economy fluctuates, costs also change, which has a great impact on the enterprise's profit. By optimizing the procurement process, reducing operating costs and other effective cost control methods, McDonald's can maintain a certain profitability even in a poor economic environment. If McDonald's does not pay attention to cost control and financial management, it may get into financial difficulties when the economy fluctuates and affect the long-term development of the enterprise.

5 CONCLUSION

McDonald's faces intense competition in the fast-food industry, including shifting consumer preferences, and growing demand for sustainability. To maintain its market leadership, McDonald's must adapt its strategies to align with these changes. Status Quo is a strategy that offers stability, it risks losing relevance in the market. However, the alternatives focusing on Menu Innovation and Sustainability provide a path to attract health-conscious consumers and respond to the increasing demand for corporate responsibility. By combining elements of these alternatives, McDonald's can reposition itself as a modern, responsible brand while staying competitive in both product offerings and operational efficiency.

Investing in healthier menu options and adopting sustainable practices can let McDonald's secure future profitability opportunities and stabilize its brand reputation.

AUTHORS CONTRIBUTION

All the authors contributed equally and their names were listed in alphabetical order.

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