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Has Consumer's Attitude towards Mcdonald's Changed: A Study Conducted in South Delhi

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Abstract—*India is one of the world's largest consumption economy. Every global consumer product company wants to have a share of consumption pie. With India's economy projected to record strong growth in the years to come, the Indian consumer is expected to be endowed with increased spending capacity. With rising income levels, discretionary spending is likely to increase. Eating out is one such form of discretionary expenditure. The fast food industry has been on growth for more than a decade. McDonalds is one such name in fast food industry which is liked by consumer of all age group due to its affordable prices and taste. Competition has been on rise and same has been felt by McDonalds as McDonald's results have disappointed Wall Street and there has been decrease in sale. One of the reasons for decreasing sale can be owed to competition McDonald's face from various other outlets dealing on same business style. McDonald's is one of the oldest food chain and have outlet in most of the countries. With time consumer need, taste and preferences are changing and McDonald's have to adjust itself according to these changing needs. This paper tries to analyze the challenges and issues that McDonald's is facing and an attempt has been made to suggest possible solution in meeting those challenges. A study was conducted on 120 respondents in South Delhi to understand consumer attitude towards McDonald's as compared to other QSR options available.*

Keywords: *QSR, consumer attitude, McDonalds*

1. INTRODUCTION

India is one of the fastest growing economies in the world. The country's GDP is expected to grow at 7.4% as estimated by IMF (International Monetary Fund). The reason for this growth can be attributed to changing demographics, favorable economy, and stable government. The Indian Food and Beverage (F&B) service industry is growing at a very high rate from past few years. The industry also has a significant contribution to the economy and is also frontrunner in terms of attracting investments. According to NRAI Food Service Report (IFSR), 2016 the restaurant industry is expected to contribute 2.1% of the total GDP of India by 2021. There is also increase in the amount the consumer spent on food items. Indian population is considered to be food-loving and this makes this industry even more important.

2. INDIAN FOOD SERVICE MARKET

According to Euromonitor Research Full time service restaurants and Quick Service Restaurants constitute about 73% of India's food service industry. Almost 81% of the consumers prefer to eat-in and only 19% prefer to get it delivered or take away. There are massive opportunities for food chains in the Indian market. The reasons for growth in demand are large share of young population, more disposable income, changing lifestyle, increase in urban population, more working women etc. Indians no longer need a special occasion to go out and dine. They do it on regular basis whenever they feel like going out to eat.

According to NRAI Report, 2016 QSR's (Quick Service Restaurants) are most preferred destination followed by casual dining restaurants when it comes to dining out.

Table 1: Why Indians Eat Out

Reason why Indians eat out	% of total eating out occasions
Shopping and casual outing	15%
Family outings	14%
Friends outings	14%
Family function	11%
Business meetings	8%
Alternate to cooking	8%
Compulsive eating out	8%
Experimentation	8%
Spending free time	7%
Festivals	6%

Source: India Food Service Report, 2016

Fast food chains such as McDonald's, KFC, Subway, Domino's Pizza, Haldiram's and Bikanervala are estimated to have combined sales of Rs. 92,000 crore by 2016-2017 as they make an entry into small cities.

3. OBJECTIVES OF THE STUDY

This paper aims to achieve the following objectives:

- To identify the competitors of McDonalds
- To identify the challenges faced by McDonalds and suggest ways to overcome these challenges.
- To analyze the factors affecting choice of consumers when they go out to eat
- To understand the consumer's attitude towards McDonalds as compared to other QSR's.

4. RESEARCH METHODOLOGY

The study is based on both primary and secondary data. Primary data was collected from the people who have experienced eating at any of the McDonald's outlet. The sample size for study is 120 respondents from South Delhi. The questionnaire method was used for collection of data. The questionnaire was either filled by the sample or was self administered. The method used for the selection of sample was convenience sampling. The secondary data was collected from various journals, books, articles, websites etc.

Early History of McDonald's

Richard and Maurice started McDonald's as drive-in restaurant in the year 1937. Due to emergence of concept of 'self-service' the business got further boost. The concept used for production was line procedure so that mass production can be made easy. The main factor for success of McDonald's was its service, speed and cleanliness. As the business expanded and started earning huge profits franchisees starting showing lot of interest. However, the franchising system failed because McDonald Brothers observed transparent business practices. The other business houses copied the concept and emerged as competitors. Another problem with franchisees was that they didn't maintain the level of customer service, cleanliness as maintained by them. In 1954 Ray Kroc, who distributed milkshake machine expressed interest in the business. A deal was finalized with him and he established a franchising company, McDonald's System Inc. and appointed franchisees. He bought McDonald's Brothers in the year 1961 and changed the name to McDonald's Corporation. The company was made public in the year 1965. Kroc had established over 400 franchising outlet by the end of 1960's. The business began to expand over the years. In early 1990's the McDonald's started facing problem due to increasing competition and changing customer preferences. The consumer wanted to avoid red meat and fried food and they were becoming more health conscious. They started preferring other eating joints where discounts were being offered. They were also facing competition from convenience stores, supermarkets and other outlets that sell ready to eat packed food. In 1993, McDonald's made an entry into retail store by entering into contract with Wal-Mart for opening a restaurant in their store. The company also opened its outlet at various gas stations. McDonald's signed 10-year contract with Disney and agreed to promote Disney through its restaurant and opened its outlet in Disney theme park. In 1996 McDonald's had restaurant in 116 Counties and had around 25,000 restaurants by the year 1998. The company continued to expand its business over years and by 2001 it had around 30,000 plus restaurant all over the world. Currently McDonald's is the world's largest chain of hamburger fast food restaurants. They are currently serving around 68 million customers daily in 119 countries across 35,000 outlets.

Business Model

McDonald's earns revenue as an operator of restaurants, a franchiser of restaurants and as an investor in properties. McDonald's operate around 15% of the restaurants directly. The remaining restaurants are operated by way of joint ventures and franchise agreements. McDonald's Corporation's business model is slightly different from that of most other food chains. McDonald's charge franchisee fees and marketing fees which are set percentage of sales. It also collect rent which are based on sales. The company may own or lease the property on which McDonalds is located depending on the age, country, location and contract. In most of the cases the location of restaurant is not owned by the franchisee.

The model varies from region to region. In U.S majority of the restaurants are under the ownership of the company and less than 30% of the restaurant are franchised. McDonald's provide training to its franchisees and others at Hamburger University in Oak Brook, Illinois. In other countries, McDonald's restaurants are operated by joint ventures of McDonald's Corporation and other local entities or governments. McDonald's follow the policy of **third party logistics operators** for supply of food and other material to franchisees and don't make any direct supply of these items.

Fast Food Nation also states that McDonald's is the largest private operator of playgrounds in the U.S., as well as the single largest purchaser of pork, beef, potatoes, and apples. McDonald's selection of meat depends to large extent on the culture of the country where it operates so that people's sentiments are not hurt. McDonald's works with both direct suppliers and indirect suppliers that provide the ingredients to the company for their food items. Quality assurance teams are responsible for monitoring the quality of food products. McDonald's recognize that the impacts of a large, global chain like theirs are significant. In fact, the majority of environmental impacts to air, land and water, occur in the McDonald's supply chain. That's why the Company works with its direct suppliers who are committed to doing business responsibly in their own supply chains and making sure that they meet their requirements for economic viability, ethics and environmental responsibility— what they call the Three Es.

McDonald's Entry in India:

McDonald's first restaurant came in the year 1996 at Basant Lok, Vasant Vihar. Six years prior to opening its first restaurant in India the McDonald's and its international supplier partners started working with local Indian companies who can meet the high quality standards that the company followed so that its image in market is not hampered. The process of searching local suppliers begins in the year 1990. The company also took into consideration the Indian government rules and regulations with regard to food, health and hygiene. McDonald's entry in country has given a new face to food processing technology which has enabled India to strive in international markets. Before McDonald's begin its setup in India the cold chain concept for distribution of dairy and food products from the farm to the end supplier was not at very developed stage and there was not much awareness about this concept. For five years prior to opening the first restaurant, McDonald's pioneered the effort to develop this aforementioned Cold Chain so that trademarked high standards would be assured. This concept has today been adopted by various Indian and International players to deliver quality produce to consumers.

McDonald's first restaurant which was opened on 13th October, 1996 was first restaurant operated by the company in the whole world not serving beef on its menu. The company opened its first drive through restaurant at Noida in the year 1997 and it was the first disabled friendly restaurant. McDonald's expanded its business over the coming years and on its 10th anniversary in the year 2006 McDelivery was flagged off on bicycle at Chandni Chowk, New Delhi and also opened its 100th restaurant in India. In the year 2010 McDonald's opened its first reimaged restaurant at Ambience Mall, Vasant Kunj. In the year 2011 McDonald's introduced few premium products in its menu like Mcflurry premium dessert in Oreo and chocolate crispy flavors. It also introduced Wi-Fi services in its restaurant which is highly appreciated by its consumers.

The company also opened new restaurants that served breakfast and few operated on extended hours. McDonald's was doing really well in India and was earning huge profits. Their product was liked by people of all age group. The company also kept on reviewing its menu and introduced new items from time to time. Currently McDonald's have around 300 restaurants in India. Out of 300 restaurants around 145 are located in North & East India and 155 in West and South India.

According to news published in Economics Times Company is planning 100% expansion in India in next five years and planning to add up another 250 restaurants by the year 2022. They are also focusing on coffee and have started operating McCafe's at its various outlets.

McDonald's and its Competitors:

McDonald's has large number of competitors, each making an effort to gain a share of the market. McDonald's have to face competition not only from food chains selling burger but also from other eat in or take away outlets and from locally and independently owned chicken and fish shops as well. Company need to make competitive strategies to survive the competition and gain larger market share. They need to understand the business environment in which they operate so that they actually stand up to customer expectations. Expectations and preferences of consumer changes over time and also vary from one country to another. Even huge company like them has to keep a watch in order to remain in the top of their game. Moreover, the market segment in which McDonald's operates is becoming increasingly competitive.

Few of the McDonalds's competitors are: Burger king, Pizza hut, Domino's Pizza, Taco Bell, KFC, Subway etc.

Table 2: Top 10 Fast Food

Name	Brand Value 2015 ($ M)	Brand Contribution*
McDonalds	81,162	4
Starbucks	29,313	4
Subway	22,561	4
KFC	12,649	4
Chipotle	10,645	4
Pizza Hut	8,511	3
Tim Hortons	4,590	4
Domino's Pizza	3,750	3
Burger King	3,169	3
Panera	2,966	5

Source: Millward Brown (Including data from BrandZ ™ and Bloomberg)

**Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 to 5, 5 being the highest.*

Challenges faced by McDonald's and suggestions to overcome these challenges

The same-store sale of McDonalds around the globe has declined. The company needs to address this issue at the earliest so that it doesn't lose its lead in market owing to severe competition. Consumers have negative perception towards McDonalds. McDonalds have been accused of selling unhealthy food in several countries such as China, US, India, Russia etc. Following are the challenges faced by McDonalds and few suggestions to overcome these challenges:

- **Rivals around the world:** McDonald's have to face strong competition from its rivals. McDonald's lead came under pressure largely because many others fast foods have copied the concept that was previously set by McDonald. Following are few ways by which McDonald's can increase the competitive gap:

  - ✓ Innovation which can lead to addition in value.
  - ✓ Enhancing the overall in house experience.
  - ✓ Leading on all the social medias platforms
  - ✓ Redesigning its restaurants
  - ✓ Changing its Packaging
  - ✓ Cleaning up its cooking process
  - ✓ Following more modern approach to food services

- **McDonald's has been slow to react to customers' changing tastes and needs:** Customers wants a more progressive restaurant experience than what McDonald's is currently offering. Customers need and preferences changes over time. Due to lot of options available for customers it gets very difficult to retain customer unless innovation is made time to time. McDonalds should review its menu and try to add some new items so as to retain the interest of consumers. Health factor should not be ignored. Though it has been promoting itself as food with less fat and calories as compared to many of its competitors but consumers are still not convinced about McDonald's being a healthy food.
- **Slim down menu and add more innovative items:** McDonald's should cut down overlapping items and start offering healthier alternatives to burgers and fries. Bigger menus have made kitchen operations more complex, giving some customers a longer wait for their fast food fix. They still need to add that **"Miracle Product"** in their menu. McDonald's needs to find a reason for their consumers to love it again. And reviewing the menu can be one of the reasons.
- **They need to change customer perception about Price:** McDonald's decades-long perception is that it's a quick and inexpensive place to eat, and that reputation has hurt the fast food giant lately in two ways: 1) Customer get accustomed to cheaper prices so it is difficult for the company to raise the prices and offer "premium" items. 2) The second problem is that since McDonald's offer food at reasonable prices it has created perception in the mind of public that the product offered is of low quality. It's all about perception about the product when the price is low. McDonald's need to add some premium quality food items in their menu to attract customer from higher income group and they need to make lot of effort on promoting the premium product. The customer needs to be convinced that if the higher price is being charged, the item delivered would be of higher quality.
- **Take on Burger King for low-income customers:** At the other end of the spectrum, McDonald's needs to make sure it can still attract low-income customers, rather than losing out to its traditional rival Burger King. Burger King has served up better results recently, which the chain has partly put down to its focus on price and the success of its value menu range.

5. RESULTS

The data was collected from 120 respondents. The following table depicts the demographics of the respondents.

Table 3: Demographics of Respondents

Parameters	Variable	Number of Respondents	Percentage of Respondents
Gender	Male	45	37.5%
	Female	75	62.5%
	Total	120	100
Age	Less than 18	25	20.83%
	19-25 Years	40	33.33%
	Above 25 Years	55	45.84
	Total	120	100
Family Income	<1 Lac	18	15%
	1 Lac-2 Lac	12	10%
	2 Lac-3 Lac	35	29.17
	>3 Lac	55	45.83%

When asked about how often they go out and eat 16.7% of the respondents said that they go out to eat less than one time in a week, 58.3% of the respondents go out to eat between 2-4 times in a week and 25% of the respondents go out and eat from 5-7 times in a week.

Table 4: Frequency of going out to eat

Frequency of going out and eat	Percentage of Respondents
0-1 times in a week	16.7%
2-4 times in a week	58.3%
5-7 times in a week	25%
More than 7 times in a week	0%

According to the respondents the **most important factor that they consider while eating out is quality of service** followed by the price, location, menu of the outlet and speed of service in that order. More than 50% of the respondents gave weightage to the quality of food when they decide upon the outlet to be selected.

Table 5: Selection of restaurants on normal and special occasions

Occasion	QSR	Fine Dining
Normal outing	68.3%	31.7%
Special Occasions	8.3%	91.7%

Respondents like to visit QSR's when they normally go out to eat but on special occasions like birthdays they prefer fine dining to QSR. This trend was reflected by more than 90% of the respondents.

For making comparative analysis four food chains- McDonalds, Burger King, KFC, and Taco Bell were selected. These food chains were selected on basis of their presence in Ambience Mall, Vasant Kunj where the respondents were asked to fill the questionnaire. When asked about the food chain that they have visited McDonalds was at the top followed by KFC, Burger King and Taco Bell.

Table 6: Restaurants providing best service

Name of restaurant	Percentage of Respondents
McDonalds	27.5%
Burger King	36.67%
KFC	25%
Taco Bell	10.83%

Table 7: Restaurants providing value for money

Name of restaurant	Percentage of Respondents
McDonalds	65%
Burger King	8.33%
KFC	16.67%
Taco Bell	10%

Table 8: Restaurants that maintain hygiene and cleanliness

Name of restaurant	Percentage of Respondents
McDonalds	25%
Burger King	37.5%
KFC	16.67%
Taco Bell	20.83%

Table 9: Restaurants having best menu option

Name of restaurant	Percentage of Respondents
McDonalds	19.17%
Burger King	10%
KFC	55.83%
Taco Bell	15%

Table 10: Restaurants having most friendly staff

Name of restaurant	Percentage of Respondents
McDonalds	58.3%
Burger King	16.7%
KFC	16.7%
Taco Bell	8.3%

The above tables shows that attitude of respondents towards McDonalds when compared to other QSR's. **Respondents have positive attitude towards McDonalds as far as value for money and friendliness of staff is concerned**. Around 65% of the respondents think that McDonalds provide value for money. As far as service is concerned McDonalds is rated higher than KFC and Taco Bell but respondents feel that Burger King provides better service than McDonalds. **KFC takes a lead in case of the menu options available**. Only 19% of the respondents feel that McDonald provides good menu options. **McDonalds is still the most frequently visited food chain** but they need to improve on certain aspects owing to huge competition. They can revise their menu options and include some healthy options as consumers these days have become health conscious.

INDIA is one of the world's largest consumer as well as producer of food. Indians food consumption pattern is changing over time. The population consumption value is increasing in absolute term and there is increase in demand for richer processed food. People want food that they can get easily and reasonable prices along with something that is healthy also. The company has performed well even during global recession of 2008-09 owing to huge population in India. Food constitutes a major portion of India's consumer budget. Amongst the various formats in the organized sector, quick service restaurants (QSRs) or fast food chains have been growing the fastest, registering year-over-year growth of 15-20%—a trend that is expected to continue over the next five years. The fast food or QSRs market in India is worth $13 billion and is dominated by global players like McDonald's, Dominos, Pizza Hit, and KFC. QSRs are well-established in the big metropolitan cities, and companies are now pushing into tier II and III cities such as Ahmedabad, Pune, and Chandigarh. Indian consumers are always ready to try new cuisines and foods and have the purchasing power to afford it. Travel and media have increased the brand awareness among the consumers and has been one of the factors for success of QSRs. Due to rise of organized retail formats like food courts, malls and multiplexes there is ideal spaces for QSRs to set up their business. International fast food brands have joined hands with Indian franchisors to setup their brands in India, and this arrangement is working well for the companies and they find it easy to set up their business. Although the growth of Quick Service Restaurants (QSRs) have been really admirable but still their share in foodservice industry is still low. There are lots of opportunities available to penetrate further and gain market share by focusing on untapped market. Changing lifestyles, increasing income, more percentage of younger population, increase in travel, exposure to media, expansion of retail space and other factors indicate that more and more Indians are choosing to eat out, thus creating vast opportunities for new players and existing players to expand. Though McDonald's is facing tough competition owing to existence of numerous options, it is still much favored brand preferred by many. It just needs to work on certain issues and keep an eye on promotional strategies so that customer doesn't start preferring other brands. Consumer these days are very demanding and they need new and improved product. So, McDonald's should conduct a market survey to analyze the consumer, take their feedback and make changes accordingly.

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