

Dipartimento di Management

Cattedra Corporate Strategies

Mc Donald's Corporate Strategies in Italy

RELATORE

Prof. Alessandro Marino

CANDIDATO

Chiara Rossi 661291

CORRELATORE

Prof. Francesco Rullani

ANNO ACCADEMICO

2014/2015

Mc Donald's corporate strategies in Italy

Introduction	5
Chapter 1: FRANCHISING AND THE EMPLOYMENT.....	7
- The origin of franchising.....	8
- The franchising today.....	12
- Franchising typologies.....	14
- The perfect man we look for	15
- The franchising strategy.....	15
- The fast food industry in Italy and positioning map.....	17
- PORTER's five forces.....	20
- The employment according to the Italian law	23
- Last word to the expert (interview).....	27
Chapter 2: STRATEGIC MARKETING.....	35
- The Brand	36
- The target.....	39
- Marketing strategies.....	40
- Mc Donaldization.....	43

- Mc Italy.....45
- Gualtiero Marchesi.....47

Chapter 3 : SUPPLIERS STRATEGIES.....51

- The Italian challenge.....52
- Paola Bogatay,creativity and the three legs chair.....59
- The three legs chair.....60
- The most important supplier : Cremonini.....61
- Diversification.....63
- Acquisition.....65
- The other suppliers.....66
- The strategic role of quality.....68
- “Fattore Futuro” project69

Chapter 4 :SUSTAINABILITY.....71

- Mc Sustainability72
- Lainate’s green restaurant.....73
- What about humans?.....76
- EXPO 2015.....78
- Mc Donald’s’ presence to EXPO 2015 : destroyer or saviour?.....83

Chapter 5 : Mc Donald's numbers in Italy.....	85
- Year 2013.....	85
- Balance Sheet.....	86
- Comparison years 2011-2012.....	95
- Comparaison with a competitor : Burgher king.....	102
- Data analysis.....	110
- Burger King international strategy.....	113
- Mc Donald's vs Burger King	115
Conclusion.....	117
Bibliography.....	121

Introduction

Mc Donald's represents one of the most successful companies in the world. I had the great opportunity to make a stage experience for a licensee of 4 Mc Donald's restaurants; I learned a lot during this two years of training; this experience left me curious and enthusiastic, so I decided to write my thesis on this subject. Finding data was hard, because the company has strict protection rules about its performance, and also finding managers to interview was problematic. This thesis represents and concludes not only my studies, but also my personal stage experience; in these pages there is a lot of what I learned .

The company has a long history, and during its life it expanded a lot. Today, they make every day records in the fast food industry, increasing profits more and more.

What is the secret of its success?

For sure, there is a solid team of experts driving the management of the company, strict control and rules to follow. Mc Donald's has been able to expand worldwide, adopting an international strategy admired and taken as example of success. They keep opening new restaurants offering the same products, identical in each country, respecting the same standards in terms of quality, service, product and so on. They seem to be solid, with strong basis. It is very hard for a company to keep growing both in terms of profits and number of restaurants year by year, with no stop.

We are curious to discover how this system is structured and which are the factors driving its development.

During our journey in the Mc Donald's world we will study its strategies in Italy. Our aim is to investigate if Mc Donald's success in Italy is due to the adaptation of the company to the Italian system or if is Mc Donald's that is able to adopt a universal winning strategy everywhere.

We will analyse the born of the company, the landing in Italy, the positioning of the company, PORTER 's five forces analysis, the franchising characteristics and the employment .

During our journey he will have the pleasure to interview an important manager for Mc Donald's Italy, whose contribution will be fundamental to help us understanding the company insight.

Then we will analyse the marketing strategies, the role of the brand and its power, the differences among national and local marketing campaign. Suppliers and role of quality will be considered too. We will have a look at the balance sheet of the company, and draw some conclusions about their assets, liabilities and so on. In this way we can understand what the company does and which are its own peculiarities.

Lastly, we will give voice to sustainability, innovation and human charity actions the company takes to improve itself. We will also talk about the EXPO 2015 experience we felt on our own skin.

In the end, there will be a sum up of the strategies presented in the chapters and their own weight in contributing to the company success in Italy.

Chapter 1

MC DONALD'S, ITALY AND THE FRANCHISING

There is little discordance about the place and the date of the first opening of Mc Donald's in Italy.

According to someone it was around September 1970 in Fiorenzuola d'Arda, where a restaurant was opened by the Italian affiliation "Gamma". The second one was opened in Rome, close to Piazza di Spagna, in 1986. This one has always been identified as the first restaurant opened in Italy.

Independently from the precise date, more or less around the 70's, is important to stress that it took little for Mc Donald's franchising system to land in our country if we consider that it was born in 1937 in the USA and the franchising begin in 1955.

In 1995 there was the introduction of the Mc Drive, the first one opened in Rome.

The year 1996 was crucial for Mc Donald's Italy; they acquired their most important competitor, the "Italiana Rugby", owned by Cremonini family. They owned 80 restaurants all over the Italy.

With this acquisition, Cremonini Spa signed the contract as the unique meat supplier for McDonald's Italy.

In 2005 there was the introduction of McCafè in Italy. Today, there are 500 restaurants in our country, 80% of them managed by franchisors.

The introduction of the franchising in Italy is composed by two main phases : the Landing and the Stabilization.

During the *Landing* phase there was a relation between an American franchisor and an Italian one, in the role of wholesaler. In this period the concept of franchising was vast and not well defined; it contained also the licence to sell.

In the second phase, the *Stabilization*, the two involved were both Italian.

The most profitable business companies in the world choose the franchising strategy for many reasons. Mc Donald's chooses it because the franchising is a strategy that allows the company to enter in different countries getting adapted according to their economy, society, laws and so on. In this way, the Italian franchising has different characteristics against the American one, and the rest of the world.

The origin of franchising

The story of Mc Donald's is purely American and we need to go back to the 50's to start our journey.

Claiming that Mc Donald's is just the story of a corporate success is not enough. There is something deeper. It is the story of alimentary habits changes and a revolution in the food service industry that gives rise to the franchising strategy, today very diffused.

It is the story of a huge corporate success, that has built a bridge between entrepreneurs and groups of affiliates.

Mister Ray Kroc was the father of Mc Donald's franchising. Born in Chicago, he had a life full of travels and rich in different job occupations. Today we will identify him as someone who has not a clear idea of what to do in his life, someone able to do everything but for this reason lacking of a specific talent. This was just how he looked like, but under this surface there was hidden an entrepreneurial talent . Ray Kroc is still today takes as emblematic example of a successful entrepreneur.

When he met the Mc Donald's brothers, he was a wholesaler of Mixer for ice creams. The story begins in 1954, after receiving the order of 8 Mixer by the brothers for their first restaurant in California.

Ray was curious to understand how it was possible to use 8 Mixer simultaneously , and decided to deliver personally the order to have a look of their usage in the restaurant. He was amazed by the speed in offering a simple meal, made of hamburger and a soft drink at a very low price.

He was fascinated by the high sales volume, the simple mechanism in cooking the meals, attention to quality and very low price. In few words, Mc Donald's brothers were able to offer the best hamburger in the region for 15 cents, no tips required and no waiting time.

Kroc was the first one able to see that behind this business model there was the potential for a huge business.

He convinced Mc Donald's brothers to give him the exclusive right to create the license "Mc Donald's" to open other restaurants in the USA. After the permission, he worked to plan the operative system and in April 1955 he opened the first franchising restaurant in Illinois.

In 1960 there were 228 restaurants. In 1961 Kroc purchased, from the brothers Mc Donald's, the brand, the intellectual property, the secret formulas and so on, for the amount of 2,7 million of dollars.

He understood that speed was what his country needed. Offering a fast and cheap meal was the right business. Thinking about the evolution of Mc Donald's, he claimed "I am very proud. We adopted the right tactics for the beginning. Even from the starting, where we were poor, we didn't neglect any aspect of the business, in quality, cleanness, service offering, values or in the opportunities offered to our employees. We grew in the right way, adding *Dignity* to our business".

It is superfluous to say that spending 2,7 million of dollars for this business was an extremely profitable deal.

After the death of Kroc, in 1984, someone believed that no one else would be able to continue such a visionary business.

Today Mc Donald's still follows Kroc's rules and business model, with 33.000 restaurants in 119 countries serving 68 million of clients per day.

Obviously, the menu has changed to meet customers' demand and it is continuously evolving.

The philosophy is "*To be the best and leading fast food provider around the globe*".

The Brand mission is *“Mc Donald’s brand mission is to be our customer’s favourite place and way to eat, and improve our operations to provide the most delicious fast food that meet our customer’s expectations.”*

The Goal is *“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. Our goal is quality, service, cleanliness and value (QSC&V) for each and every customer, each and every time”.*

The service offered is very little and it follows the fast food service model. However, this service is managed in a way to create an high level of service.

For Mc Donald’s, offering a service means to satisfy totally the customers. To do so, they adopt the *“continuous betterments”* logic.

Also, the employees satisfaction is very important. The role of Managers is crucial to drive and motivate the whole team. They teach the employees to be polite, careful and quick in their job.

As economic studies demonstrates, the client judges the experience in the store on the basis of the feelings he has during the first 5 seconds after entering. For this reason, they try to offer always the best possible welcoming, starting with the smile of the employees.

In the restaurant there is a team composed by crews, hostesses, managers, supervisors and so on. Each of them has a specific role and it is trained before starting the job, in order to give the best performance once employed. Each restaurant has a medium of 40/50 employees.

Mc Donald's is probably the biggest Fordist-Taylorist business model still existing today. The employee is trained deeply and its job is complementary to the others', in a linear and functional system as a productive line.

No stops are allowed, the restaurants is a system where each employee has a specific role and nothing is left to the case.

The work of employees is simple thanks to the kitchen machines, provided with alarm clocks.

The franchising today

The system has grown very fast and it has evolved. The keys for this success are mainly five:

- *A huge business model* : it has been proved that Mc Donald's has the most healthy and solid operative basis in the fast food industry, all over the world.
- *Brand development* : they invest 4% of profit for advertising and brand development. Nowadays, Mc Donald's is one of the 5 top brands in terms of brand equity value on a global scale.
- *Financial management* : its business is focused on profit and it has tight control on any kind of waste. The main source of profit, however, does not come directly from the food, as everybody could imagine; the biggest revenues come from the rents paid by the franchisors of the restaurants .

- *Relationship with the suppliers* : Mc Donald's has been built as a three legs chair; it is composed by the company, affiliates and suppliers.
- *Collaboration among franchisors* : they share synergic relationships.

For a franchisor, the basic points are the respect of quality and rules imposed by the system. They feel it like a mission, and not just as a means to gain profit.

Each rule is standard and it has been formulated in order to leave no space for franchisors interpretation. It is exactly the same all over the world.

For the company, each franchisor is someone that can represent a growth opportunity and development for the company itself; so the franchisee is an active and important part of the overall system.

He/she must be a positive, charismatic person able to adopt an innovative and creative approach to the business.

Obviously, Mc Donald's has the right and the duty to constantly control what the franchisees do; they control all the aspect of the franchisees' work, adopting also a focus on the financial component (debt/ equity ratio for example), and also to the investing one.

They must be able to choose and to manage a qualified and prepared personnel and to keep in mind that customer satisfaction is crucial. They have to keep under control the sales and the transaction of the restaurant.

Franchising typologies

There are mainly 4 types of franchising allowed by Mc Donald's:

- SL (Straight Lease): it is the most common. The franchisor acquires the right of brand usage, the know-how, for no more than 20 years.
- BFL (Business Facility Lease): it is the same as the SL, but for a period of 3 years.
- DL (Development Licensee): the franchisor acquires the right of brand usage and the know how; this type is used in particular areas, as train stations, airports, auto grills and so on.
- JV (Joint Venture): it is a contract made among Mc Donald's another franchising company, in order to share risks and profits.

The contract is very detailed, and the franchisor has to grant to the company his propensity to respect all the standards imposed ; another very important point is the relationship with the suppliers; he has to make orders just to the suppliers selected by the company.

Taxes, profit splits and rent payments are explained in detail in the contract.

Mc Donald's owns a powerful Intellectual Property and the franchisor has to be informed of each aspect of it and he has to be careful in taking no action that could damage the brand image.

The perfect man we look for

Who is Mc Donald's looking for?

The perfect candidate for the franchisor is someone very charismatic, with management and communicative skills, excellent financial approach, brand ambassador, client focused.

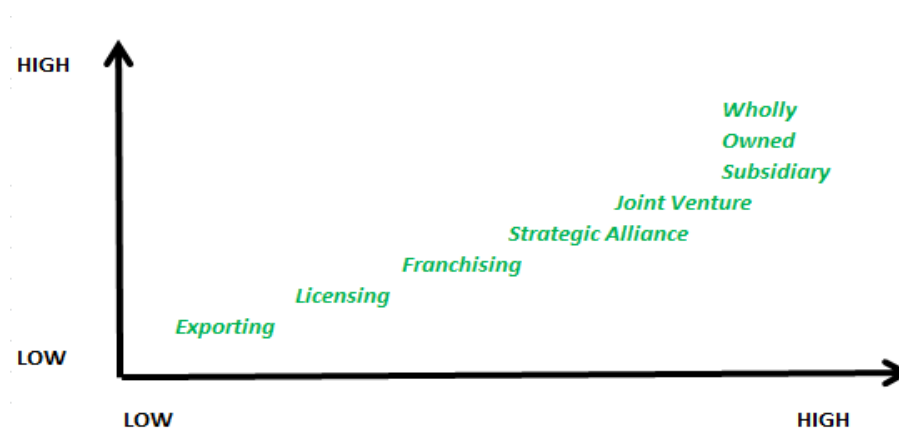
His age must be between 32 and 45 years; he has to afford an investment of at least 500.000 € he must be ready to travel and to live in different countries.

He cannot choose the location of the restaurant; it is the company that decides where to locate him, after a profit and loss analysis of opening a restaurant in a specific location.

If the performance of the franchisee is positive, he can ask the company to open a new restaurants. There is no limit, someone arrived to open 12 restaurants. The company offers great opportunities for franchisee who wants to grow; this growth enriches the franchisee and the company itself.

The franchising strategy

When a company wants to expand abroad it can adopt different strategies to enter the market.



Some companies start from a low level and then, if the business is profitable, they grow. Sometimes instead it can happen that the business fails the entrance in new markets; this can cause the failure of the whole company, because the more they move up to the entry modes scale the more the business become expensive and complex to sustain.

The *Franchising* is a contractual agreement in which a company receives a royalty or fee in exchange for the right to use its intellectual property; it usually involves a longer time period than licensing and includes other factors, such as monitoring of operations, training and advertising.

Franchising remains the most diffused international strategy for the American companies.

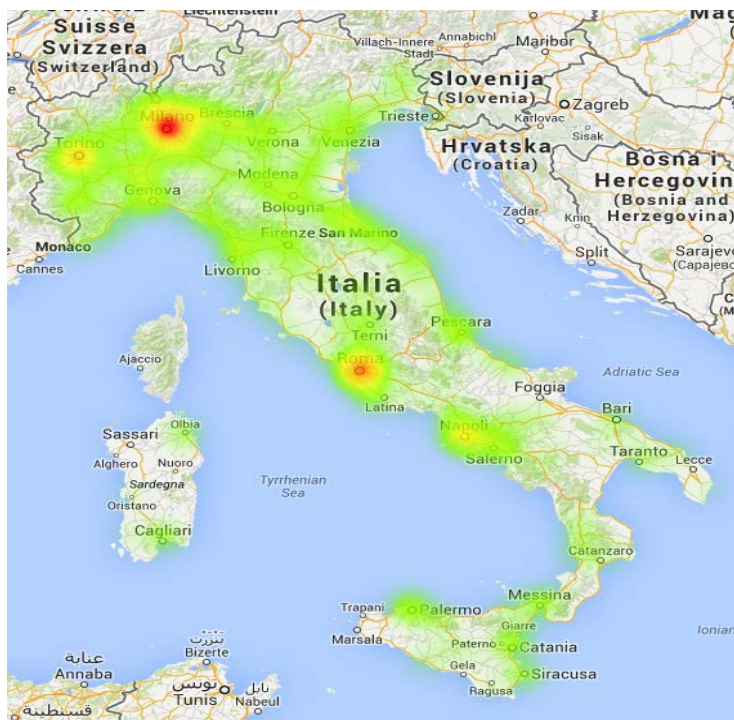
The *Benefits* in adopting this strategy are many; the firm granting the licence faces a little risk, because more than an half of the investing amount is provided by the mother company.

Franchising limits the risk exposure that the firm has in overseas markets. In the meanwhile, the company is able to expand its revenue base.

There are also some *Risks*. The fact that the licensor gives up the control of its product foregoing potential revenues is a risk for example. Another thing that could happen is that the licensee could become so familiar and expert with the product to decide to open its own business, that would inevitably be a competitor of the original one. This situation is deeper in counties where intellectual property laws are still weak. It is in the interest of the company to decide in which country to expand and to whom give its trust as licensee, in order to be sure that the image of the brand would not be damaged. Moreover, the company receives only a small part of the revenues. If the company wants to increase the percentage of revenues to receive, it should adopt other strategies, such as strategic alliances or joint ventures.

The fast food market in Italy and positioning map

Italy is the country of the “Mediterranean diet”, but today the concentration of fast foods is very high. There is the boom of fast foods, offering both junk food and healthy one. It seems that there exists a fast food to embrace the taste of everybody. Due to the fact that they offer products at low price, the economic crisis had lower impact on the sector. We see an increase in the openings of fast foods all over the country.

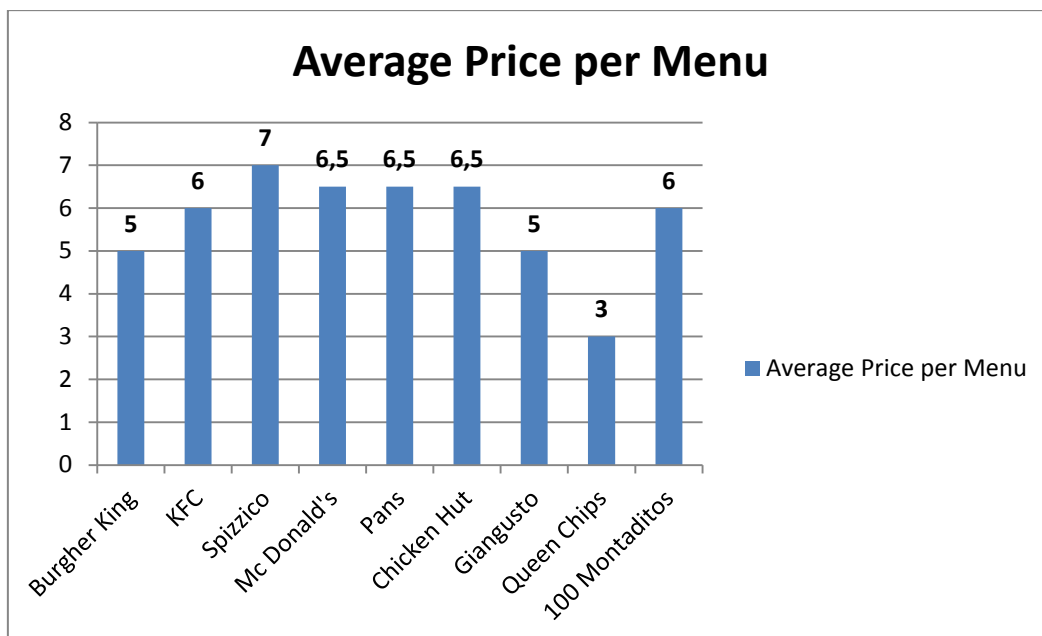


Concentration of the fast foods in Italy

The price of the products among competitors are quite the same, and even the food offer is similar. The difference is in the service. Here we have a graph representing the average price per menu of the most important fast foods in Italy . Prices are expressed in Euro . We considered fast foods offering a wider range of products : hamburgers, sandwiches, salads,

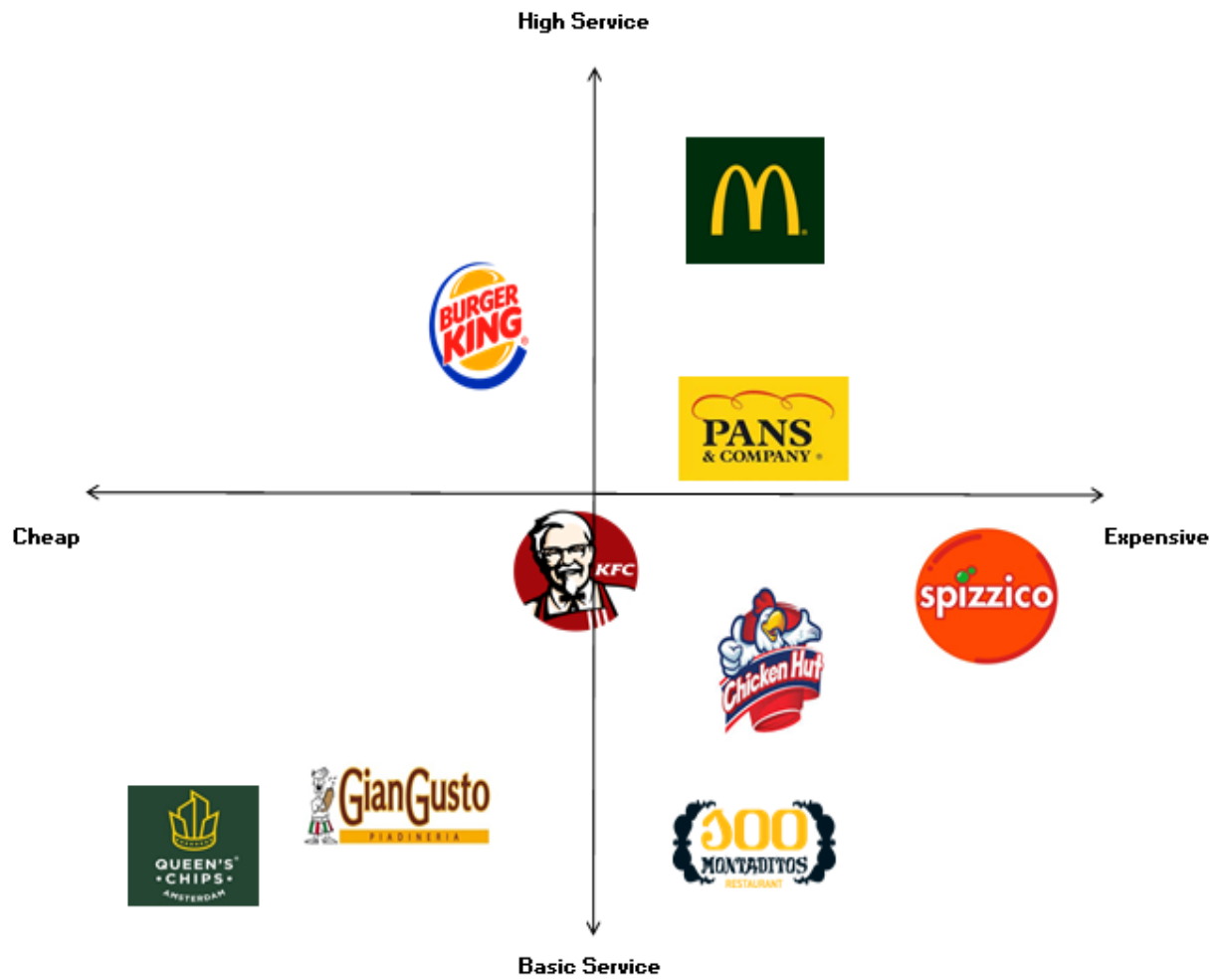
pizza, piadinas, chips and so on. All that is considered as “Fast” way to have a meal is object of our study.

The average price is 5,70 Euros. According to a study of FIPE (Federazione Italiana Pubblici Esercizi), the sector of restaurants had in 2014 a price variation behind 1%; more dynamic is the sector of fast foods, which saw a price variation of + 1,7% among the same year. This variation is due to the promotional strategies, prerogative of fast foods world. These strategies keep competition alive, with fast changing equilibrium.



Mc Donald's, Pans and Chicken Hut ask quite the same price for a menu. The highest one is Spizzico, about 1 euro more than the others. Kfc and 100 Montaditos are around 6 euro, Giangusto 5 euro, the same for Burgher King. The cheapest one is Queen Chips, but its menus are composed just by one product. We considered Queen Chips a competitor because it offers one product that is considered as “Core” for Mc Donald's.

About the positioning map we put as reference extreme point the prices, cheap vs expensive, and the quality of service, high vs basic. We used the same companies we considered above.

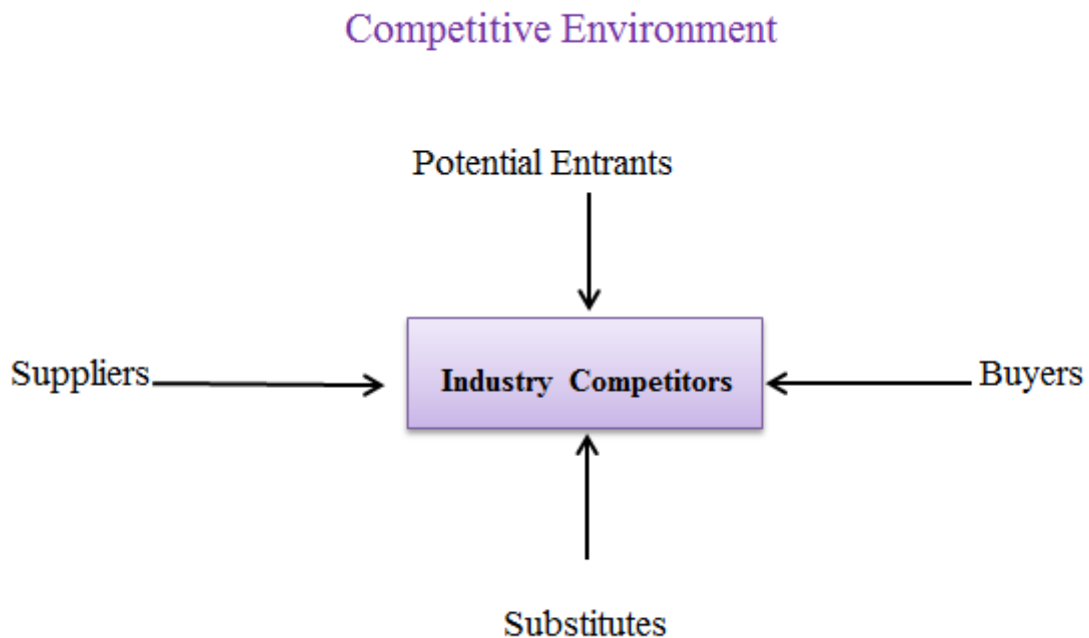


At the extreme points we find Mc Donald's, High service and quite expensive prices, and Queen Chips, Basic Service and Cheap prices. What is evident is that there is a concentration in the quadrant basic service and expensive prices. There are four brands in column (same price) but they differ for the service they offer. Quite in the middle we find KFC, today an emerging company in Italy. This is the situation today, nothing ensures that yet the next year things will stay the same, as the market is subject to continuous changes and evolutions.

PORTER'S five forces

Porter was a brilliant analyst of the company strategies. He is considered the founder of the positioning school, used to understand strategies by industries environment. The approach Porter uses is clever and flexible. With this strategy a company has a better opportunity to understand in which country enter and which strategy to adopt.

With this analysis we are able to understand if an industry is profitable or not. The profitability of a company is given by the *strategy* it adopts plus its *resources*.



Potential Entrance of new companies in the sector is given by the level of entry barriers.

Those barriers are:

- *Economies of Scale* : for new entrants it could be difficult to reach this production advantage.

- *Product Differentiation* : the product has specific features, in terms of taste, appealing, packing and so on. It requires a huge investment.
- *Capital Requirement* : it is costly to join the business. In the fast food world the most common international strategy is the franchising, and this could contain the costs incurred by the company since costs are split between franchisor and franchisee.
- *Switching costs*
- *Distribution Channels* : companies generally look for local suppliers to cut logistic and distribution costs.
- *Costs Disadvantage* : those are difficult to reach.

Buyers' power depends on the sector we are considering. In the fast food sector buyers are very powerful, because they can easily change their choice. They threaten the sector by : forcing down prices, having a strong bargaining power, playing competitors against each other. What is important is the number of buyers and how frequently they go to a fast food. They are more powerful when they are concentrated, they purchase a large volume of products and these products are standardized; this is our case, for example.

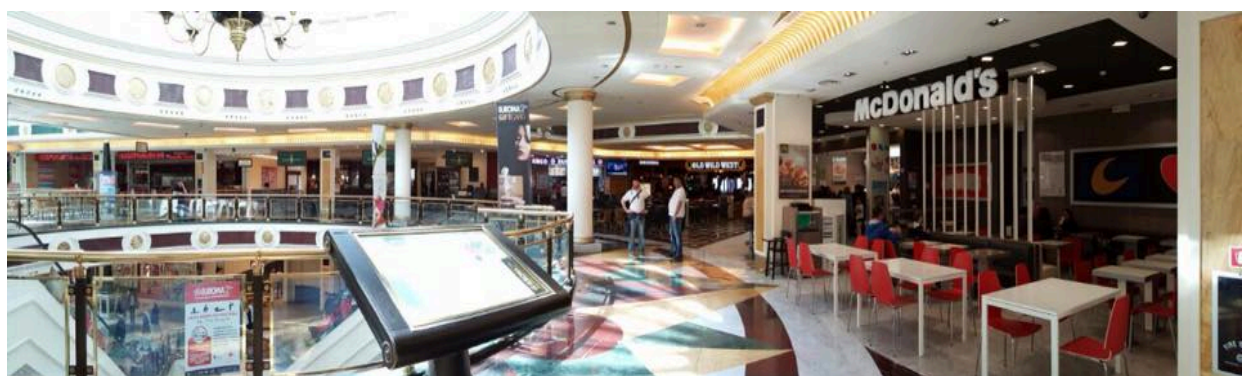
The buyers of fast foods products are mainly young people and children, but we can say that fast foods sector embrace all kind of consumers. Everybody, at least once in their life goes to a fast food.

Substitutes limits the potential return of an industry. For this sector, we can consider what consumers consider leisure time. Mc Donald's does not offer just food, but a pure consumer experience. For this reason we can consider substitutes Just Eat, because it

offers the same concept of having a meal (fast foods) but using a different channel, the delivery at home.

As we said before, we can consider substitutes for Mc Donald's other leisure experiences ; a consumer can spend his time and almost the same amount of money visiting a museum, a painting exposition, going to the cinema, and similar forms of entertainment. Another substitute for the meal experience can be shopping . We observe that often there is a Mc Donald's restaurant in shopping malls, so consumers can substitute the food experience with shopping.

For a neutral buyer is not easy to choose where to eat. In shopping malls there is usually a floor entirely dedicated to restaurants and fast foods. We made an observation in "Euroma 2" shopping mall. In the restaurant floor a consumer can find many alternatives, most of them represented by fast foods : Alice pizza, Burgher King, Centro Pizza Speed, Giovanni Rana, La Piadineria, Mc Donald's, Panino Giusto, Old Wild West, Re Basilico, Rosso Pomodoro, Romano Food, Wok, Sushikò.



This is a picture taken in the Euroma 2 floor of restaurants. In the middle there is Old Wild West, on the right Mc Donald's and on the left Burgher King.

Suppliers have a strong power; they can rise or lower prices, the same for the level of quality.

In Joint Ventures and Alliances they have a vertical integration among the company they serve.

Usually suppliers signs an exclusive contract with the company. This is done to ensure that the taste, shape and so on, of product is the same all over the country. A curious thing about the suppliers in this sector is that sometimes there is one big suppliers serving competitors.

This is the case of Cremonini, serving Burgher King, Old Wild West and Mc Donald's.

Companies try to choose local suppliers to lower logistic costs.

Porter's analysis is very useful and it adopts a flexible approach, but it has some limits. Firstly it is an analysis on the industry, not on a specific company. It tell on average how the industry is going. Another limit is that it is a static study, it assumes a zero-sum game and it is located on a precise time horizon.

The Employment according to the Italian law

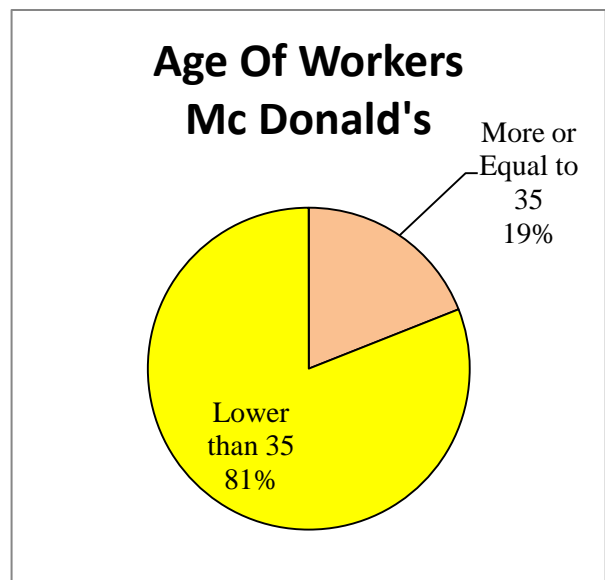
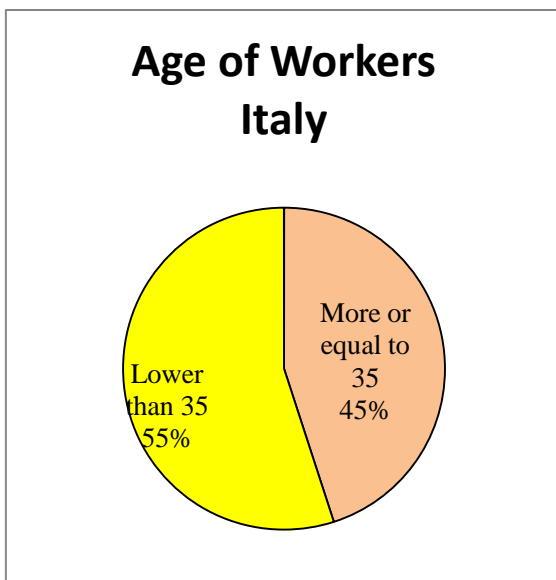
To have an idea of the impact of Mc Donald's company on the Italian employment we refer to paper published by the SDA, Bocconi University. In this paper there is a deep analysis of the actual impact on the employment of both franchising restaurants and those who are working for their suppliers too.

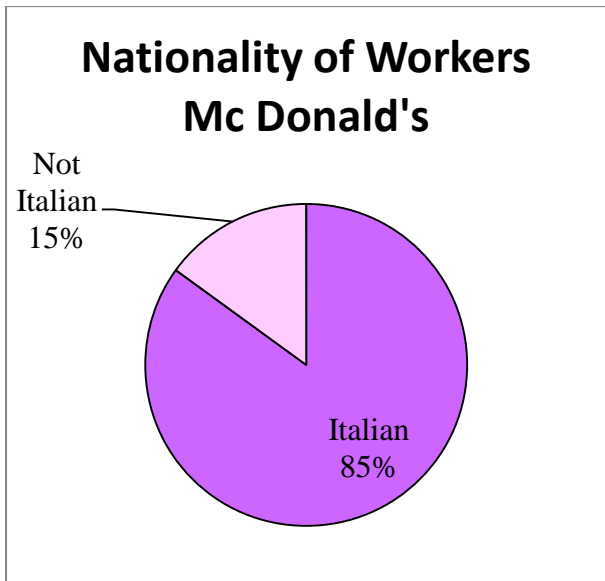
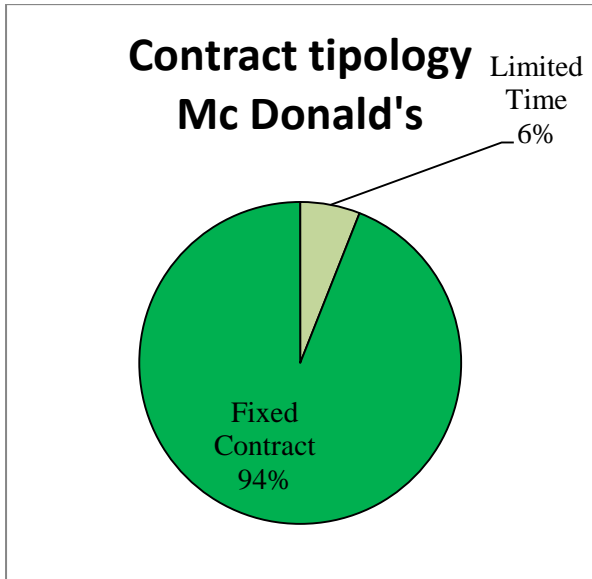
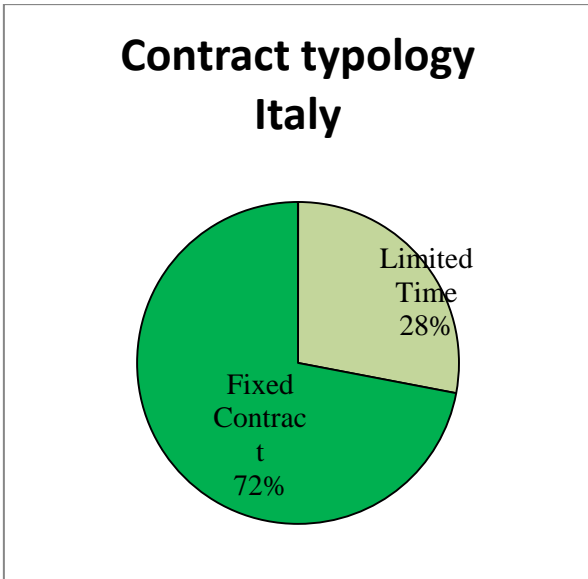
The research considered both suppliers of primary and secondary level; for *primary level suppliers* we mean those directly interacting with the company, providing : Food and

Packaging, Construction, Logistics. *Secondary level suppliers* are suppliers of the suppliers of the company. Mc Donald's has no direct relationship with those.

Data used for this research was provided by Mc Donald's, surveys among some suppliers, Istat, Aida and Fipe.

In 2010, the number of employees was 14.100; in 2015 the number is 19.800. In 2010 there were 410 restaurant all over the country, now they are 500. Both the growth of restaurants and employment has been continuous and constant. Considering the expectations for the current year, the increase in the number of the restaurant, starting from 2010, will be +26%, with a consequent employment growth of +29%. In a country where shops and restaurants are closing and economy is still struggling against the crisis, these are data that left a lot to think about.





Against the Italian restauration sector, Mc Donald’s has younger employees, and their contract is mainly fixed.

The restaurants are mainly concentrated in the most economically developed regions, like Lombardia, Lazio, Emilia Romagna; so there is a strongest presence in the North of Italy. Nonetheless, there are also restaurants in the islands and in the South of the country.

About the franchisees, there is 59% in the North, 22% in the Middle, 19% South and Islands.

About Suppliers, 80% are Italian and the remaining 20% is from abroad but they are working on having 100% Italian suppliers in few years.

Impact on Employment	2012	2013	2014	2015
Direct	16,823	17,622	18,676	19,930
employees	16,700	17,500	18,550	19,800
licensees	123	122	126	130
Indirect (level 1)	4,660	5,000	5,250	5,580
Employees/Suppliers Food/Pakaging	1,600	1,720	1830,000	1,950
Employees/Suppliers Constructions	670	730	710	750
Employees/Suppliers Logistics	210	230	240	260
Employees/suppliers Other services	2,180	2,320	2,470	2620
Indirect (level 2)	1,350	1450,000	1,560	1650,000
Total Indirect	6,010	6450,000	6,810	7,230
TOTAL	22,833	24,072	25,486	27,160

As data shows, in each sector of the Mc Donald's employment there has been an increase year by year. The total number of employees had an increase of 4,327 in three years; this is a really indicative data.

Despite its successful impact on the employment in our country, however, we cannot talk about a local strategy. In fact, Mc Donald's take care of developing and promoting the

employment in each country it enters. The company collected many employment awards in different countries (France, Germany, Poland, Spain and United Kingdom) and even in Italy.

On the 16 February 2015 Mc Donald's won the prize for the top Employer company in Italy, for the second year consecutively. This prize is given to those companies taking care of employment development and HR valorisation. The Top Employment Institute analyse the companies candidate for the prize according to 9 macro areas. Mc Donald's won the prize for: its talent management, planning, on-boarding, performance management, career opportunity, corporate culture, learning and development, remuneration and benefits, leadership development. It is a company in continuous evolution, and thanks to the learning courses it offers to its employees, those are more professional and motivated in doing their job in an excellent way.

“To receive this prize for the second year represents an important achievement for Mc Donald's in the valorisation and continuous effort to improve the relationship among our employees; we keep high our HR standards and our development is in line with our plans. For the next year we plan to employ other 1.000 persons and 30 new restaurants openings.”
Stefano Dedola, HR manager.

Last word to the expert

We had the honour and the pleasure to interview the one who is really involved in the matters of the Italian franchising of Mc Donald's. We were able to interview mister Alessandro Martini, Franchising Manager for Mc Donald's, working in the directional centre in Milan.

We met him in Parco Leonardo Mc Donald's office, near Fiumicino. He was very professional and absolutely clear in his answers. Here we have the interview.

1. The born of franchising in Italy. Which was the first restaurant and why.

“The very first restaurant in Italy was opened in Bolzano, nearly 25-30 years ago. Mc Donald's strategy is the following : when we want to enter a new market, we use the franchising strategy, a strong franchising; the franchisee who enters the market and who will manage the restaurant makes the whole investment. Mc Donald's business model core is in the Real estate. It is not a franchising basing its business on the sale of products, for the products we have suppliers dealing with franchisee; franchisee have to rely only to exclusive suppliers in order to respect our product standards. Mc Donald's entered in Italy with a franchising form in which the franchisee would invest the whole amount of money needed to open a restaurant, so that the real estate was entirely in the hands of the franchisee. As time passed, as long as Mc Donald's strategy is the same all over the world (franchising 80%), in Italy they applied the pure business model : Mc Donald's takes the location, acquiring or renting it, and then it stipulates a franchising contract to manage the restaurant. Little later it was born the one that we call “franchising of development”, that helped the opening of the first Italian restaurant, in Rome, piazza di Spagna. “

What Alessandro said was in line with what we know about Mc Donald's strategy; during our economic and management analysis we have studied that the franchising is the most appropriate solution for an international expansion. Lots of companies adopt

this strategy to expand, both in the original country and in a second moment to expand abroad.

It is very interesting to see the implementation of the strategy and how it evolved for this company.

- 2. The franchising strategy has the characteristics of being ductile in getting adapted to the peculiarities of the hosting country in economic, legislative matters and so on . for these reasons it is used often by multinational companies are there any peculiarities in the Italian franchising? If there are any, can you describe us which are?**

“The franchising format represents an optimal way to expand for a multinational company, and it represents an optimal way to manage a local activity. We have restaurants from Aosta to Crotone, and it is extremely difficult for the mother company to manage a territory, even if limited as Italy is, but very variegated. Only those living in that territory knows the peculiarities of that place . The franchising model has these basis, the franchisee are partners able to develop the sales level better than us, and they have a stronger control power on the point of sale. There is also another reason, from the side of investment; one thing is that Mc Donald’s opens restaurants on its own, another thing is that the investment is splitted between the company and the franchisee. So there are both reasons related to strategy and sales development and level of investment. There are countries in which it doesn’t exist a local Mc Donald’s company, but there exists franchising of development, as it happens in Italy at the beginning. In all the countries, however, the franchising of development is exclusive. They need this model when they want to open this market in a new country or when it is difficult to penetrate the market. By adopting this method

Mc Donald's is able to gain a capillary presence all over the world. In those cases there is a single big entrepreneur that invests on the opening of a consistent amount of restaurant; of course, the mother company monitors the process”

It is very difficult to control in a proper way the points of sale as the company grows. To grow a company has to be stable, not only under financial point of view, but also under a strict control of all the activities inside the restaurants. There is a team of expert ensuring that all the activities are in line, but also the manuals of rules to follow are very useful to ensure that Mc Donald's act exactly the same way all over the world. A loss of control would damage the grow of the company, only under this tight control and under the strict observance of rules for franchisee the company can expand in a healthy and solid way.

3. Do you believe that this adaptation to the Italian system is a determining factor in Mc Donald's success? If it is so, in which percentage?

“Mc Donald's was born in franchising, so we can claim that it has franchising on its DNA. Paradoxically the true business of the company is on the real estate. You can imagine that thanks to its acquisitions and usage of locations, it is said that Mc Donald's is the second most powerful real estate company; the first one is the Vaticano. The franchising success does not affect only Italy, because a multinational company that wants to expand in different countries keeping brand values standards and at the same time embracing different countries' traditions has to use this kind of strategy. All done together with the franchisee community. It is normal that the franchisee is able to obtain better results than the company, being present on the

restaurant, pushing sales level. As I love to say, “the eye of the owner makes the horse fat” (Italian aphorism), the presence of the owner takes always great results. In our business you can’t make money sitting on your office, you must be present on the restaurant. It is clear that behind this mechanism there is a big multinational suggesting strategies, guides, always sharing ideas with the franchising community. For sure, franchisee are really strong. “

It was Ray Kroc who applied the franchising strategy to the business of Mc Donald’s brothers. Today it still represents one of the most successful business stories. If a model works well, why to change it? For sure it takes lot of study, control and effort to make this model work all over the world, but it seems that Mc Donald’s is able to keep this model alive and, most importantly, to keep increasing its profits.

4. In your opinion, the franchising strategy can satisfy 100% the exigencies of the company?

“Until Italy was not a mature country, as it was 25 years ago, perhaps other models as the franchising of development would constitute an alternative; as time passed, Italy grew both in terms of points of sales and sales level, so it was good get expanded through the franchising, adopting the system suggested by the mother company. I think the franchising model of Mc Donald’s in Italy is really strong and successful. Today there is the boom of franchising in Italy, Mc Donald’s is doubtless something different, starting from the kind of investments it does. You can open a franchising with nearly 20.000 euro, here we talk about another kind of investments, sales level,

and what is more, the development possibilities offered to franchisee . In Italy a franchisee own an average of 3.5 restaurants, this means that we start to talk about little entrepreneurs, with profits around 6-10 millions. It would have been different if Mc Donald's Italy had managed totally its restaurants. It would have been a huge cost for the corporate. “

Deciding to buy the restaurants is a strategic choice that only a big company with many financial disposition can take. A company able to afford these kind of investment can grow rapidly and will get richer not only thanks to the business but also because of the value of their tangible assets. As time passes, in fact, the value of their restaurants increases.

There is no limit to the number of restaurants a franchisee can own; this offers a huge opportunity for the franchisee, who knows that the more he invests the more money he will gain (if the business is well structured and implemented, of course!) more profits, and for the company itself, that can increase the number of restaurants on the territory and its real estate patrimony.

5. Are there any countries where Mc Donald's adopts other strategies apart from the franchising? If it is so, which ones and why?

“There are different formulas, but always franchising. Some countries do not adopt the franchising, we talk about little countries with few restaurants. It is clear that Mc Donald's walk along a precise road, it waits until it can adopt the franchising. It is quite a compulsory step dictated by the maturity of the country . I remember that when I entered Mc Donald's, nearly 10 years ago, in England Mc Donald's company was stronger than the franchisee; as time passed they decided anyway that the strategy to

follow was the one of the franchising; so they decided to adopt this strategy, leaving just few restaurants to the company.

The franchising is an evolution that takes time but it arrives, there are no situations that remains “company” on the long run.”

The long run strategy stays the same, all over the world and from the beginning of the story until today. Franchising seems to be the best strategic solution, in terms of implementation and results.

6. In conclusion, it seems that according to you Mc Donald's success does not depend to the adaptation to a specific country, it is a factor related to the success of the company as a whole...

“For sure the brand Mc Donald's is the brand Mc Donald's. It is enough to put an M and we are perfectly recognizable. The intelligent thing to do for the company in a country is to get close to its reality, understanding the exigencies of that place. For example in Italy now we have the entire food chain certified 80% by Italian suppliers. This is a plus, it means that Mc Donald's gets close to the country, even in terms of consumers' needs. For them, knowing that the meat is Italian, as our cheese and so on, are for sure important factors. The same thing, that is a key of success, happened with the Mc Italy; Mc Donald's Italy embraces the Italian consumer launching a sandwich with ingredients certified 100% Italian.

The same things happens in other countries, so the great story is having a big brand able to get adapted to different countries not only as franchising but also in terms of approach, volunty and another series of factors. It is clear that the core products will remain always the same, at the basis of the business, but even the premium products

sell well. We try to diversify, offering for example pasta or salads. We get close to the Italian culinary culture.”

We will see the Mc Italy phenomenon, from the original idea to the implementation and its implications for both company and the consumers. Mc Donald's is famous for its core products. The symbol is the Big Mac sandwich. The company penetrates the market with these core products, but it also tries to make actions to get closer to the country tastes.

The success of the company derives from its strong basis and its solid organization; the brand value is strong too, and it ensures success in every country.

Mister Alessandro Martini was very professional and answered in a perfect and exhaustive way to our questions. This interview lets us the message that Mc Donald's franchising strategy in Italy follows the same rules as every other country. The franchising is the basis of the way in which the business is managed, and saying that it is quite the same all over the world gives already a shape to our research.

Chapter 2

STRATEGIC MARKETING

“A product is like a human being : it needs life and

to have an attracting and

Coherent personality. Products must respond to a logic

Understandable to everybody under all points of view: composition, price,

Name, mass media communication and point of sale”

Messages, Mc Donald’s journal of France, 1995

Mc Donald’s is one of the top “most recognizable brand” in the world. Every action of the company is planned and codified according to specific rules and standards. Nothing is left to the case . Marketing has a strong power for Mc Donald’s and it is part of everything they do , from the architecture of the restaurants to the advertising themselves. A special team of experts study continuously sales and other variables to produce the best marketing plan able to improve the performance of the restaurants.

Mc Donald's wants to attract new customers and to build a strong relationship with the existing ones, for this reason it needs to adopt a creative approach and to surprise its customers offering new products continuously.

No matter if it really offers new products, what is important is the way to product is presented and perceived by consumers. The marketing team is able to create magic around a sandwich made of meat, bread, tomato, cheese and salad, all simple ingredients. Let us show which are the elements driving this magic.

The Brand

Nowadays companies understand that the most valuable asset they own is the one that drives the experience of the customers : the Brand. Even if the brand is considered an Intangible asset, studies have shown that it is the one that brings more profit in the company.

What is a brand?

The brand is the Idea that exists in the mind of consumers. The value that the brand represents for a company can be calculated and evaluated; this value is called "Brand Equity Value".

"Brand Equity is a Financial resource, a performance indicator, and overall, a brand evaluation is a time zero step before any strategic decision as it reveals your strategic

strengths and weaknesses, what is just a tactical tool and what is strategically important for your company” Carlo Fei.

There are several ways to find the Brand Equity of a company. Firstly there is the need to analyse objective and sub objectives attributes that influences the final results, assigning a score from 0 to 5 (strength and weakness) . Those parameters to analyse are :

- *Attractiveness of the industry/ segment* (size, growth, opportunities, competitive intensity, innovation)
- *Brand Positioning and Differentiators* (Price/quality, consumers and channel experience, brand strategy, longevity)
- *Business Impact* (profitability, market share, price premium)
- *Market Image /Customer franchise* (awareness, loyalty, relevance, perception)
- *Customer Experience* (Touch points)
- *Brand Management Practices in Place* (development strategies, marketing budget, brand architecture)
- *Brand Financial Valuation* (royalty rates)

For a company is very important to make this evaluation each year, in order to keep under control the brand equity value and to understand which tool needs to be implemented to increase the overall brand value. The concept of brand encompasses the name, the logo, the image and perception. It is shaped by advertising, packing and other marketing communication tools; a brand embodies the promise of the product. Through the brand, the company can build bridges between the company and the consumers and gain their trust.

Each year “Interbrand” company makes an estimation on the 100 most valuable global brands.

According to the CEO of Interbrand Jez Frampton

“Leadership roles are converging, traditional structures are crumbling, the consumer’s voice carries more weight than ever, and less tangible strengths like emotional intelligence and psychological insight are just as key to leading a brand today as the ability to generate high ROI and increased shareholder value.”

Category	Brand	Brand Value
1 Technology	Apple	98,316 \$m
2 Technology	Google	93,291 \$m
3 Soft Drink	Coca Cola	79,213 \$m
4 Technology	IBM	78,808 \$m
5 Technology	Microsoft	59,546 \$m
6 Electricity	GE	46,947 \$m
7 Fast Food	Mc Donald's	41,992 \$m

Mc Donald’s took important steps to reaffirm its strong reputation and position in the mind of consumers. Despite the company faces each year changes and challenges, and it is in

continuous evolution, its brand equity value seems solid. The company offers core products and local menus, to give the best customer experience to their clients. Mc Donald's also took important steps on the sustainability of its business and always tries to improve it.

It is very important to stress that in the first 10 positions we find technological brands, there is only Coca Cola that stands, and Mc Donald's that encompass also Coca Cola as it is part of the products offer.

We must wait until position 22 to find another beverage brand, Pepsi.

And what about competitors ?

We just find KFC in position 66. And Burger King, which is usually considered in the mind of consumers as the most fearsome competitor for Mc Donald's is neither in the 100 top positions.

The Target

Mc Donald's primary target are the children. Children are the easiest clients to catch; they gain those clients through many means : Ronald the clown, gadgets and little presents, and so on.

In 1986 a survey in the USA showed that 96% of children interviewed recognized Ronald the clown, and as second place in popularity Santa Claus. Children are ingenuous and are able to catch all the advertising messages, with no filters. The advertising are full of primary colours, strong and intense; children "win" a toy if they eat the sandwich, this is a strong message.

Of course, behind the advertising system there is a professional equip of expert in communication and psychology. The usage of some specific colours, as yellow, red and white suggest a sense of energy and familiarity. Those colours, however, are able to catch the

attention of any type of consumers, in a way completely independent of the age, sex and so on.

Yellow is a warm colour, that suggest dynamism and concentration and peace at the same time ; this colour has a positive influence on the consumer.

Red offer a sense of wellness and satisfaction and for its intensity is able to catch the attention more than the others.

Children are attracted by forms, colours, quantities, toys. Are those who ask the parents to take them to Mc Donald's. Once they will be adults, they will come back to Mc Donald's for nostalgic reasons.

Another important target are the young. They like to feel part of a group and to stay cool. If their friends prefer Coca Cola instead of Pepsi, they all will buy it and the same for other products. Young responds positively to the advertising stimulus, and they want to spend money to be cool .

This target is easy to shape, because teen agers don't have a defined identity and even when they think to choose freely, the truth is that they make choices under the advertising stimulus homologating their personality on the basis of pre-existing models.

Marketing Strategies

Factors contributing to the success of a company are many. For Mc Donald's marketing is a powerful weapon.

To build an efficient marketing strategy is fundamental to drive the customer's needs. The principal and fundamental marketing strategies are mainly four :

- *Market penetration* : the aim of this strategy is the growth of the company, through the increase of sales.
- *Market development* : the aim is to introduce existing products in new markets.
- *Product development* : the focus is in selling new products in existing markets.
- *Diversification* : it is a strategy both on the sale of new products and on the entrance in new markets.

Mc Donald's follows all those strategies.

It is important now to explain the way they manage marketing strategies. There is a distinction between the *Nation marketing plan* and the *Local marketing plan*. Every year, the national marketing team decides the plan for the following year. Of course, they decide the target of the marketing actions and the marketing strategy to follow on the basis of economic data analysis coming from the restaurants all over the country. They make a careful and precious work and once it is finished, they present it in Milan in a meeting where all the franchisors are invited.

After the meeting the franchisors have a general idea of the marketing future moves of the company. But it is not finished, because every time there is a promotional change on a national scale, the Local Store Marketing coordinators of each restaurants are advised by a Newsletter. On the newsletter there are all the indications about the timing and the mechanic of the promotion.

LSM coordinators have the duty to follow literary all the commands reported in the newsletters.

This is done to grant that all the Mc Donald's restaurants look the same all over the country. If something in the restaurant is done differently from the indication on the

newsletter there are monetary sanctions to pay to the company. The company is very rigid on this aspect.

Another marketing aspect is the one relative to the local peculiarities. Each restaurant has to follow the national marketing campaign but can launch local marketing campaign to reach specific goals.

The LSM coordinator has to analyse the restaurant data ; on this basis he or she can study some marketing action to improve the sales in the restaurant. Once the numeric study is done, the LSM coordinator is able to understand the target and the action ad hoc to obtain an increase in the sales level. Then starts the creative part, where the LSM coordinator has to think about the means to reach the customers in an effective way.

After the marketing local action is decided, the LSM coordinator has to ask the permission to act to the Marketing head of the geographical area of the restaurant. In Italy for example there are three marketing head : middle and South , western Nord and eastern Nord. If there is the approval, then the action can be taken.

Both the national and the local marketing actions are taken under control during the period and after, to understand if they have been effective in causing a sales increase or not.

For the local marketing, is the franchisor that tells the LSM coordinator about the budget he has on his disposal for the actions. In some cases, however, when the franchisee is in an economic difficulty and there is a pressing need to take a local marketing action, the Company can offer an economic amount to implement the action.

Three times a year there is a competition among franchisors, called “Best LSM practices”; they can freely choose to participate or not. During those competition, the LSM coordinator who decides to participate presents his LSM best practice of the period, in

terms of sales increase. In this way there is a sharing of knowledge and they can learn something new. The judges of the presentations are important managers and figures coming from Milan, directly from the heart of the Company itself.

It is clear that Mc Donald's' marketing structure is very well planned and nothing is left to the case. Of course, the local marketing plan should not obstacle the national one and so on ; this two instrument should be complementary for each other and should be enough to push the sales level.

Mc Donaldization

According to Sussman, the Mc Donaldization is a process in which fast foods restauration principles are going to impose themselves in more American lifestyle sectors. Companies do not produce products, but brands, and they care on the development of the brand image instead of the product itself. The brand becomes a key, a vehicle to drive the company message. Anthropological and psychological studies have been done on the effect that a brand has on the consumer, and on the way companies are able to build a brand to influence them. Mc Donald's, as Nike and other famous brands, are trying to build a lifestyle around their brands, increasing their value and capturing more and more consumers.

The rationalization of Mc Donald's system means basing the production on 4 fundamental principles on the long run :

- *Efficiency and speed* : ability to reach a goal with a minimum effort. Lower losses, more gains. In this system, efficiency is reached by simplicity in each act of the production : simple and few ingredients, easy to cook, easy to deliver, easy to eat.

- *Sales expectation calculation* : in this system quantity has become a synonym of quality. It means that they have a strong focus on the sales level. Each product is controlled and it has a specific shape, weight and so on. The famous record is the one gained by Kroc in person, who was able to sell 36 hamburgers in 110 seconds!
- *Predictability* : it ensures that the consumers will find the same product all over the world. Mc Donald's has the same predictability not only on the product- food, but also in the product-image.
- *Control* : they control the products by offering limited choices to the consumers.

Those important aspects of the *rationalization-mcdonaldization* have been analysed yet during the 19-20 century by Weber, who is considered the father of the modern sociology.

According to Weber, those principles that today are applied even in other fields of the every-day lifestyle, represents some of the main advantages of the formal rationalization; with this term he meant the research done by humans to find an optimal means to reach a goal. A fundamental aspect of the rationalization is that it leaves less freedom to choose the right means, because the choice is in a certain way driven on in some cases forced by inducting the individuals to take the same (optimal) decision.

Mc Italy



“Since my arrival in the company it was clear that we would not grow anymore with the traditional hamburger”

Roberto Masi

In 2008, Roberto Masi started his adventure as CEO for Mc Donald’s. On his arrival, the company was working on a restructuration process, started in 2001, the worse year in the story of the company. A series of events, the “mucca pazza” explosion, “Super-Size Me” film, an increase in the request for healthy food, put the company in difficulty. For these reasons, they needed to build again the image of the company. The American CEO of that time, James Skinner, claimed : “ We need absolutely to lift up our image. I don’t care how, but we really have to work on it. I want Mc Donald’s to become the fast food brand with the best reputation in the world!”.

For the first time in the story of the company, nations were left free to do something autonomously to rise the image of the brand in their country.

Italy was one of the countries where the crisis of the company was more evident.

The story begins with the meeting of Masi and Luca Zaia, a politician expert in communication . Masi understood that it was crucial not only to change the image of the brand, but also to find local suppliers. The fact was that the meat used by Mc

Donald's in Italy came 100% from an Italian suppliers since 1997, Cremonini. The problem was the communication, they needed to let the consumers know about it.

In 2009 the minister of the agriculture Zaia met Masi. "What if we make a sandwich made entirely with Italian products?". Masi was surprised by this proposal, an even if the idea seemed quite crazy to him, he decided to try.

It took two months to create "Mc Italy", a sandwich made with Asiago cheese, carciofi cream, pure oil and meat. It was a limited edition sandwich.



Masi and Zaia in Rome, launching the new sandwich on the 24 January 2010.

This was seen as a scandal, and it opened a political debate. Apart from the political critics and so on, we must admit that this was a huge marketing strategy. The success was enormous.

Despite the critics, the fact is that choosing Italian suppliers helps the Italian economy and sometimes it allows big exportation of our products abroad. Numbers speaks themselves.

“Before judging is better to get informed; if you are able to have a 360 degrees vision it is better. From 2008 to nowadays the collaboration with Mc Donald’s Italy meant the acquisition of more than 300 tons of Parmigiano Reggiano DOP, a product that has also been exported in our restaurant in Germany, Switzerland, France and Serbia. We believe we gave a contribution to the increase in the exportation of Parmigiano Reggiano DOP. Mc Donald’s is not only who acquires big amounts of products, but also a vehicle, a means to communicate and to invite consumer to taste something new for them. I would like to ask : how many young knew this product in Germany, France or Switzerland before we took it into our restaurants?”

Roberto Masi

Gualtiero Marchesi



Despite the critics, the Mc Italy sandwich was a success. This was just the first of many other launches of Italian sandwiches. Of course those are just temporary strategies; this is justified by the fact that the core business has anyway to stay the same and to be clear to the consumers.

It is now important to stress that the strategy to create a 100% Italian product was a peculiarity of our country, an idea entirely born and developed in Italy. And, moreover, it was done for marketing purposes, due to the damaged image the company had during the previous crisis period. It was not a strategic action taken to allow the penetration of the company in the market, since Mc Donald's was jet really present and active in the Italian market.

Those action are temporary also to avoid logistics problems, because it would be chaotic for the kitchen to keep alive too many products all together.

The real scandal, however, was the creation of some sandwiches by the most famous Italian chef in the world, Gualtiero Marchesi.

In 2010 Roberto Masi was looking for something innovative. He asked Gualtiero to help him in creating a new sandwich. Roberto was surprised when Gualtiero, a famous 80 years old chef with a nasty personality, said yes.

Due to the fact that Gualtiero was a really egocentric and particular person, it was not easy to finish the project; someone was sceptical even about his ends.

This action is similar to the one taken by H&M when they asked Karl Lagerfeld, CHANEL's creative director, to design a fashion line for their cheap brand. The concept is the democratization of luxury. For Mc Donald's it was quite the same, but we are talking about food and about a collaboration shorter than the one among H&M and Karl.

Marchesi was very exigent on vegetables and on the bread quality. It was hard to accomplish him but finally the two sandwiches were born : Adagio and Vivace. He also created a dessert, Minuetto. Those names arise from the passion for music the chef has.



Two journalists, Renata Fontanelli and Giorgio Lonardi interviewed him.

Renata : “Mister Marchesi, are you aware of the risks behind this collaboration? “

Gualtiero : “I am a free man and I can do whatever I want. Let’s say it : who else could be able to do such a foolish collaboration apart from me?!”

Renata : “Are you able to tell us why somebody hates Mc Donald’s?”

Gualtiero : “I just have never think about it and I don’t mind.”

Renata: “Why a chef so famous decided to make this collaboration? Did they pay you very well?”

Gualtiero: “ Believe it or not, I did not make it for money; I did it as a provocation. I love provocations. Cooking is my job. And, if it is true that the high cousine took a change in the way we eat, now it is time to make a new revolution, close to the youngest. I created those sandwiches to make young appreciate vegetables.“

From the interview (here shorter version) it emerges that the chef did it to provoke and he did not mind about any scandal for his image.

Again, as it happens with the Mc Italy, the mass media resonance of this action was huge. Many came to taste the products, someone for curiosity, someone to make critics; what is important is that this action was profitable for the company.

Mc Donald's wants to impress its customers offering new products, something that is singular and that we don't expect to find in a fast food. Good or not, it attracts almost everybody at least to taste the new product. Who knows what's next?

Chapter 3

SUPPLIERS STRATEGIES

Mc Donald's is an American company, but are we sure that it is 100% American?

Today it seems that what is left American is just the name and the origin of the company.

In Italy, Pasta comes from Barilla, apples from Bolzano, meat from Cremonini group, parmiggiano cheese from Parmareggio, bread from Modena, grain from the company Grandi Molini Italiani. If it is not enough, also coffee is Italian, from the Ottolina group, as milk coming from a Brescian factory.

As we said, meat is Italian, even the chicken, coming from Amadori; salads is provided by Bonduelle factory close to Rome, bacon from Mantova, ham from Beretta, dressing from IGreco (Cosenza) and fruit from Ferrara.

Desserts also are Italian, coming from Naples. They import just potatoes, whose variety is not yet cultivated in Italy. They asked Pizzoli to work on it and in a near future, Mc Donald's will not need any more to import potatoes.

Mc Donald's suppliers are 80% Italian. The partnership with Italian suppliers was done for many reasons ; first and foremost, to cut logistic costs. Secondly, for marketing reasons. We will explain it later.

Products must be the same all over the world. For this reason there is a committee of experts that drives the suppliers to make them produce the same product everywhere.

There are standards in terms of taste, balance of ingredients, weight, smell, shape and appeal that must be respected in each country.

When Mc Donald's enters in a new country this committee start to work hard with local suppliers to create a product that perfectly fit the global standards.

The company has to buy the products from exclusive suppliers, and it is the same for each franchisee among the same country. Each franchisee has a minimum order per week to make, and thanks to the managers of the restaurants he is able to make the best order to satisfy the needs of the restaurants ; managers analyse each day the sales level of their restaurants, and twice a week they made the order for the products they need.

Each franchisee receives from Mc Donald's Italy company a list of ingredients and their origin to be displayed in the restaurant, and they change periodically.

The Italian challenge

For Mc Donald's entering the Italian market was initially a hard challenge. Italy is considered the country of the Mediterranean diet, a place where food is good , healthy and genuine. And Mc Donald's came with its hamburger and French fries. It was initially hard to gain the trust of consumers, because they offered a kind of food, an idea of meal very far from the one of the Italian culture.

After the initial difficulties, they gained the Italian approval and sales started to grow.

Unfortunately, when the performance was raising it exploded the American "Mucca Pazza"

scandal. This destroyed the image of the company. The Italian market suffered a lot and sales level decreased.

Even if suffering, Mc Donald's understood that Italy was a country with a high potential for growth, so they did not abandon it. The USA decided to send a team of experts to "save the situation". They asked mister Karl Fritz to help our country. He also saved Poland and Byelorussia years before. He went to the Milan head quarter in 2003 with his team and left it in 2007.

Some restaurants closed down, and the USA sent 50 million to help Italy. At that time, many things were done; one of those was building the suppliers relationship and improving the quality food level.

They started a "localization" process for suppliers. Here comes Roberto Masi.

Roberto Masi enter the company as CEO. He understood that he had the hard mission to revitalize the company and its image to the eyes of customers. He said that the company had fragile basis in the Italian market, due to a rapid expansion with few experience of the company in our country. The mechanism was too weak to survive. It needed stronger basis to grow.

Masi asked himself what to do. It was not easy to take a decision. He came out with a new and fresh idea : to focus on quality .

"From the beginning I focused on the goal to change Mc Donald's : from a simple fast food to a casual restaurants. We are in Italy, here the pure fast foods cannot have to same success as in America. We needed to do something different"

Roberto Masi

Despite the fact that choosing local suppliers is a strategic choice done to cut costs of logistics, it seems that Masi did an adaptation of the Mc Donald's strategy to the Italian market needs.

“I want Mc Donald's to use Italian products, whose origin has to be 100% known and certified.”

Roberto Masi

From that moment, only Italian products enter the kitchens, except potatoes coming from Germany.

Masi bring a revolution to Mc Donald's. Restaurants were restructured according to a more minimal and comfortable look. There was the introduction of free Wi-Fi and Mc Café openings. In some restaurants there is also a little computerized gym where is possible to make fitness. The message is clear : “Hamburger is ok, but you also need Fitness”.

Masi observed that after these adjustments in the new restaurants sales grew by 10%.

“We started with the Parmiggiano Reggiano cheese, then Mozzarella cheese, Speck from Trentino, Asiago cheese and so on, and now we have a product warranty from the Minister of Agriculture for a sandwich made 100% of Italian Products, the Mc Italy”

Roberto Masi

In 2008 Masi started a good job to embrace Italian suppliers. The “Italianization” of suppliers and consequently sandwiches took with it a lot of critics; but this is another story.

The choice of Italian suppliers had many advantages, from both strategic and economic sides.

Data shows that the advent of Italian products not only increased profits, but also make exportation of Italian product all over Europe to increase. In November 2011 Mc Donald's bought 300 tons of Parmiggiano cheese to be exported abroad, 30 tons of bacon from Valvenosta, 75 tons of Speck, and many other Italian products. This helps our economy.

Apart from the ingredients of the sandwiches, 100% Italian, there has been (and there will be!) limited edition sandwiches to celebrate Italian peculiar products and lifestyles, as : Ciociaro, Mozzarillo, Adagio, Vivace, La Salamella, Gran Chianina and so on.



Ciociaro Sandwich



Mozzarillo Sandwich



Mc Italy



Vivace Sandwich, By Gualtiero Marchesi



Adagio Sandwich, By Gualtiero Marchesi



Gran Chianina Sandwich



Salamella Sandwich

Paola Bogatay,creativity and the three legs chair



Where does the idea of new products come from?

Behind new products there is miss Paola Bogatay, from Macerata. She is graduated at the lyric singer schools and very passionate for art. She is the Menu Manager for the Mc Donald's Italian company, the creative side of the job. She acted also as supervisor when Gualtiero Marchesi was asked to collaborate in the creation of new products. In an interview made by the two journalists Renata Fontaleii e Giorgio Lonardi she was asked to talk about relationship with the suppliers

Renata : “What kind of relationship do you have with suppliers?”

Paola : “Provided that Italians are the best in terms of creativity and elasticity, my job is also to drive the iter of certification gathering,ending up with the perfect product for our kitchen”

Renata: “What is the hardest certification to obtain?”

Paola : “We want the Italian standard one and our own certification, that is even more harder to gain. It takes months before the suppliers is able to catch up with our needs”

Renata : “In particular, what do you ask to suppliers?”

Paola : “Apart from the high quality standards, we want products to pass under the metal detector before arriving here. It takes just a little mistake for us to damage the entire chain and we don’t want this to happen.”

The three legs chair

Since the era of Ray Kroc it exists the rule of “three legs chair”. According to the founder of the Mc Donald’s franchising this business could survive only thanks to this structure : the first leg represents the company, the base; the second one is represented by suppliers and the last one by the franchisees.

To coordinate the whole system there is Havi Logistic company, born in America in 1974 and landed in Italy in 1990. It is specialized in advanced logistic.

The most important logistic centre in Italy is in Bomporto, close to the bread factory. The other two are in Lodi and Monterotondo. They deliver everything, from food to paper item, to promotional material and so on. This means that who decides which suppliers to choose as partner is just the company, franchisees are obligated to buy from those suppliers.

Havi Logistic pays the suppliers and it sells products to Mc Donald’s. Logistic centres are very technological, huge and full of stuff to be delivered. There exist special zones in which

is possible to put the frozen products in the trucks caring that they will remain at constant temperature level; otherwise the products will be damaged.

In 1993 Havi Logistic started to collaborate with Mc Donald's using only a limited number of trucks. Today they own 30 truck, traveling constantly every day, all over the country. Just in Venice there is an exception, because the deliver is done with boats.

This company controls the entire territory. The strange and curios thing about this relationship is that it doesn't exist any contract among Havi logistic and Mc Donald's. Someone says it is a risky relationship, and for those sharing this idea they have a provocative answer : "Contracts are useless, they only make advocates become richer".

The most important supplier : Cremonini

Cremonini is one of the most successful food companies in our country.

This company had a crucial role in the growth of Mc Donald's in Italy. Cremonini is leader today in Europe of meals on trains; they also own the chain "Chef Express" and they are currently working on the launch of a restaurant chain in the airports. It seems that Cremonini is not only a company gathering high profits, but most importantly is in a continuous growth.

Their first adventure started in 1982, when they launched "Burgby", an Italian chain of fast foods offering the same products as Mc Donald's. But the very first business was the opening of "Italy&Italy", a fast food offering Italian products; however, this business was not performing in a good way, as Vincenzo Cremonini, CEO of Cremonini explained :

“Pizza and Spaghetti, this was Italy&Italy; a completely different world from the one of meat we were familiar with. We opened almost 10 restaurants, but performance was poor. The solution arrived after a trip in the USA. I ate lots of sandwiches during my travel and I saw what Americans were able to do. Then I understood we needed a new project. The idea was to enter the market adopting a winning strategy. “

They decided to merge the two chains, Italy&Italy and Burghy. This was a successful strategic move and in few years restaurants became 96. We are in the 90ies.

“We were leader in the Italian market and Burghy was a good machine. Mc Donald’s suffered a lot our presence on the market. The real challenge was the opening of new restaurants, at that time. It was hard to grow, there was lot of bureaucracy against new openings. So we decided to expand in the shopping malls, and we did it . We were the first in Italy. In this moment there was the entrance of Mc Donald’s. They wanted to expand and acquiring our chain they would avoid bureaucracy problems of new restaurants openings. At that time we were making huge investments in building a meat packing factory close to Milan and Burghy constituted a huge spending of money too. So we had the chance to choose : spend money on keeping Burghy alive and cutting money to build our core business, the meat packing factory, or selling our chain to Mc Donald’s and save the money for the meat packing factory development. At the end Bughy was the thing we sacrificed to finish our meat packing factory.“

The truth is that the offer of acquisition happened in a period rich in good circumstances. Mc Donald’s was looking for an Italian meat supplier. The deal was hard but in the end they got it.

Cremonini received a huge amount of money from the sale of Burghy, money to invest in the development of its core business, meat packing. Mc Donald's gained a fast expansion all over the country, transforming Burghy restaurants into its own.

Not only Cremonini adopted the strategy to act as suppliers for companies in competition (Mc Donald's, Burgher King, Old Wilde West), but it decided to open its own chain, again.

In 2001 they bought the American Brand "Roadhouse Grill" to create a steak house restaurant all over the Europe. The objective was offering American meat at low price, for the entire family tastes.

Cremonini Group's corporate strategies has nothing less than Mc Donald's, in terms of complexity. It would take another thesis to analyse entirely their strategic choices.

Diversification

Cremonini adopted a diversification strategy. To do so, they needed a *Corporate Level Strategy*, that is a strategy focused on gaining long- term revenues, profits and market value through managing operations in multiple businesses.

Diversification is the process of firms expanding their operations by entering new businesses ; this business must be justified by the creation of value for shareholders.

The main advantage of diversification strategy derives from synergies among the different activities. They can help each other in crisis periods, and they can be complementary, as it happens for the Roadhouse Grill chain, for which the company is both suppliers and consumer. There are two kinds of diversification : related and unrelated. In our case, Cremonini adopted a *related diversification*; it means that benefits come from horizontal

relationship, sharing both tangible and intangible resources. It increases market power by pooled negotiation and vertical integration.

Cremonini can leverage its core competences and benefits from economies of scope (cost saving in sharing activities).

To leverage the core competences and to create field for synergies among the business, those have to meet three criteria :

1. They must enhance competitive advantage by creating superior customer value
2. Different businesses in the corporation must be similar at least in one important way related to the core competences
3. They must be difficult to imitate or substitute.

Another way to achieve synergies is sharing activities. It means having activities of two or more businesses value chains done by one of the business. This helps the cost savings and push up revenues.

Cremonini, being the leader in meat supply in Italy, has a strong market power. It is able to pool negotiation and it has vertical integration ; to have a vertical integration means being supplier and distributor at the same time, as it happened with Roadhouse Grill. This gives a huge power to the company, and many benefits, as secure source of raw materials, protection and control of the assets, access to new business opportunities and simplified procedures. On the other hand it has also risks, as capital expenditure and costs, loss of flexibility, unbalanced capacity along the value chain, additional administrative costs.

Diversification is a good strategy to expand the business gaining new fields, and it can represent a sort of safety anchor if one of the businesses of the company doesn't perform in a good way in a crisis period.

Acquisition

When a company wants to expand, to grow, there are usually some problems to face.

Acquisition strategy can be one solution to these problems. In Acquisition act there are always two parties, here we have Cremonini and Mc Donald's.

Cremonini was spending a huge amount of money to manage its secondary business, the fast food chain Burgher. At the same time, it was working on building a new meat packing factory, a job completely in line with their core business.

Mc Donald's was a competitor, it represented a danger for Cremonini. The mission Mc Donald's had was to expand rapidly on the territory and to build a solid relationship with a meat supplier.

As we said before, there were all the condition to make a win to win contract of acquisition. Both companies obtained what they wanted.

Before the acquisition, there is the *deal structuring process*, in which it is possible to identify primary goals of the parties involved in the transaction, alternatives to reach these goals and how to share risks. The appropriate structure satisfies as many of the primary objectives of the parties involved as necessary to reach agreement and it is subject to an acceptable level of risk.

The form of acquisition in our case was an *asset acquisition*, where they acquired certain assets by cashing out previous shareholders. The advantage is that the acquirer can choose the assets he wants, in our case they bought all Cremonini's Burghy restaurants.

The Other Suppliers

Bread

Bread is produced by the “East Balt” company. Its Italian factory is in Bomporto, close to Modena. It was founded in 1999 and today it is able to produce 1 million sandwiches per day thanks to advanced technology and special machines; those machines can control both the quality of bread and at the same time if the product is in line with Mc Donald’s standards. For what concerns the grain, there is an optical device that controls purity of the product. Even after the process of production, the final product (sandwich) is analysed by an optical device to ensure purity.

Grain is 100% Italian, and the company is certified as being ecologically and socially sustainable.

Potatoes

Potatoes are the only product coming from abroad. More precisely, they come from Austria, produced by “Lamb Weston” company. For climate and territorial reasons, this has been the only partner for Mc Donald’s Italy for 25 years. Only certified farmers work for this company, and potatoes are cultivated in fields with no fertilizes or chemicals additives.

Controls are done at each level, before, during and after potatoes are packed.

They are currently working with Pizzoli to find a product to be cultivated in Italy for substituting the Austrian potatoes.

Vegetable and Fruit

“Bonduelle Italy”, born in 1853 and mondial leader in this sector, is the official supplier for vegetables. They supply salad and tomatoes, with a strict control on tracking origins of each product.

“Macè” company is the fruit supplier. Its peculiarity is providing fresh, washed, ready to eat fruit, with absolutely no conservator. Both Bonduelle and Macè have high hygienic and quality standards .

Cheese

“Parmareggio” company supplies cheese. They produce more than 400.000 parmigiano cheese per year, being the biggest parmigiano exporter in the world. There is one big group controlling all the factories. Parmigiano Regiano is a DOP product, healthy and high in quality, and it represents the Italian taste. It is a symbol of Italian cuisine all over the world. Each step of the production is controlled and the quality is 100% granted.

Ham and Bacon

Those products are provided by “Beretta” and “Italia Alimenti” (Cremonini) company. Both companies use the highest technological machines during the production process and at the same time keep the product genuine and very qualitative. Again, production is controlled, and quality is certified.

Fish

Fish comes from Denmark, by “Espersen” company. They are a solid company using techniques to preserve the marine habitat. The company really cares about its environmental impact, and they participate to the Sustainable Fisheries Partnership and to the project Baltic Cod Fisheries Improvement Partnership Forum, whose goal is to protect the sea and its habitat.

The strategic role of Quality

Mc Donald’s chooses only certified suppliers for its products. Each supplier make lots of controls and put lot of care in delivering a product 100% in line with Mc Donald’s quality standards. If it is not enough, there is a special team of experts traveling all around the country doing nearly 60 quality controls per day in the restaurants. They control quality, machines, cooking processes and if the products are conserved in the right way. They ensure maximum level of hygiene and security. They put a lot of care in doing it because just a single error can damage the brand image, and they don’t want it to happen for any reason.

For those working in the kitchen, there are strict rules to follow. They must wear an apron, a hat and they must wash carefully their hands with a special anti-bacteria soap. Each time they take the meat from the freezer, they must use a “one time usage” plastic glove. They cannot wear hearings, bracelets, rings or any other metallic material, because metal could transport bacteria.

All this is done to ensure that the products leaving the kitchen are safe and controlled.

Those quality standards are granted by “Qualivita”, a no profit foundation working to increase the value of agro-alimental products. This foundation was born under the supervision of the Italian Ministry of the Agricultural, alimental and forestall policies. In 2012 they presented a quality scheme for participants to follow, defining the warranty and transparency standards. Who controls periodically the level of those standards is the company “CSQA Certificazioni SRL”. Mc Donald’s decided to participate and they did it successfully. The standards to respect are :

- Ingredients characteristics
- Suppliers
- Hygiene inside the restaurants
- Care in using Italian products
- Adopting a transparent and verifiable communication

“Fattore Futuro” Project

Recently it has been launched the project “Fattore Futuro”. It is a project done in collaboration with the Ministry of the Agricultural, alimental and forestall policies and it is for young farmers having an innovative project to implement for their business. This project offers the opportunity to become a Mc Donald’s suppliers for 3 years. There will be selected 20 winners all over the country.

The agricultural sector is changing; farms are growing both in number and in dimension, and new technologies are coming into the sector. Mc Donald’s want to help the Italian agricultural sector, staying close to young farmers in facing economic, social, environmental and alimental challenges. The 20 winners will have the opportunity to enter in an international

business, learning a lot and growing both in economic and personal terms. There is also the opportunity to renew the contract, under good performance circumstances, after the initial 3 years.

Chapter 4

A Sustainable Business Strategy

Today Sustainability is a “hot topic”. It does not matter if your business is old or yet born; getting adapted to ecological standards is crucial to survive.

Why is there today so much attention to sustainability?

There are many reasons. Firstly, we must understand that sustainability has to be implemented in three different aspect of the business : Social, Environmental and Technological.

Sustainable business helps the connection between present and future generations and it has as main objective the increase in the quality of life.

It is developed around the “three P pillars” : People, Profit and Planet.

Unfortunately, today we cannot ignore the impact of our business on the planet. For many it is really a matter of doing things in a “healthy way”. Others add more benefits, coming from the communication of a sustainable business implementation (reputation) and the consequent reduction of energy wastes.

Mc Donald’s cares of being sustainable for many reasons.

Firstly, being sustainable is efficient : produce more with less. It is not just a matter of environment and ethics, it is convenient. Of course, adapt the business to those standards requires huge investments, whose value would be visible on the long run. For this reason, we

can dare to say that perhaps for Mc Donald's those are political choices, a matter of image, more than truly ethical choices.

In order to gain the respect of consumers, a multinational company has to be sustainable and to efficiently communicate it. In this way, a company can gain the trust and the respect of consumers.

Mc Sustainability

There are three main areas in which the company puts its efforts :

1. Energetic efficiency
2. Wastes reduction and recycling
3. Reduction of CO2 emission

From 2010 they acquire energy certified by the RESC (Renewable Energy Certificate System), giving a contribution to the development of renewable energy research. Anyway, today 50% of their restaurants uses renewable energy.

For them is important also to study new machines, able to save money and energy. For example, in 2009 there was the introduction of a new generation of frying machines, able to make them save annually 40% of oil, and an energetic consumption drop of 4%. Same story for refrigerators. Every years there are betterments, and today it is possible to save between 16% and 28% of energy consumption for those machines.

There are toilettes able to save water, millions of litres every year.

Even the management of wastes had been adjusted according to sustainable standards. In the kitchen 35% of wastes (organic, plastic and paper) is collected with care and recycled.

On average, every year they are able to recycle 2 tons of paper wasted. Thanks to all those actions, the complex waste volume is reduced annually of nearly 200.000 square meters.

About CO₂ emissions, they reduced them of 600 tons in 2010 and they will continue to improve.

Also the supply chain is important. Choosing local suppliers, there are lower transportation costs. Shorter travels have lower impact on environmental pollution. Again, we understand the strategic role of having local suppliers and its utility under many aspects.

Linate's green restaurant

Close to Milan we find the first Mc Donald's eco-friendly restaurant. Not only they have been able to reduce the environmental impact of the restaurant during its construction, but to build it a self-sustainable restaurant. Opened in 2011, the project could also inspire others.

The floor of the external space are made with a special material (gres and titanium) ; thanks to the sunlight this material is able to activate an anti-pollution process, similar to the one made by 12 trees. They tried to reduce energy consumption, with special Led lights. External lights instead, take the energy from a photo voltaic and micro Eolic system, granting self-sustainable energy.

Energy consumption are taken under control thanks to an intelligent system called "Einstein".

It is a system able to calibrate and to reduce the energy waste in the restaurant. All the energy consumption of the restaurant is showed in a monitor. With this system, the restaurant can calibrate the energy necessary to sustain the every-day work, reducing wastes and loss of energy.

The ceiling has a natural system of ventilation. Water coming from rain is collected and used to irrigate the external green areas.

They uses electric energy to move machines.

The objective was to build a restaurant able to perform in the best way, reducing the environmental impact. This could be a model for the whole Europe. The final goal is to design and build a restaurant able to satisfy its own energetic needs, using alternative sources. They are still working on it, but the Lainate experiment shows that the solution is not so far.



Containers for special wastes, Lainate Restaurant



Foto voltaic panels, Lainate restaurant.

What about humans?

The no profit foundation for the childhood “Ronald McDonald” was born in 1974 in the USA. They offer “An house far from home” for families of sick children.

The foundation is present today in 58 countries, where we can find 330 Ronald houses, 195 Family room and 50 Mobile units, hosting every day more than 7.000.000 families each year.

In 1999 the foundation landed in Italy, opening the first house in 2007.

The Italian CEO explains : “ It is a no profit organization to help the children in difficult situations, and to grant them a better future. It is something we do thanks to humanitarian and scientific actions.”

Today there are nearly 52 houses for a total of 460 million of dollar financing children all over the world. The idea is to offer a comfortable place to live for parents and relatives of sick children.

The first Italian Ronald House was opened in 2007 in Bologna, close to an hospital department for sick babies. Today in Italy there are 5 Ronald houses.

It is possible to sustain this action making a donation in the restaurants themselves, where there are special boxes to collect offers.

They organize events organized to collect money for the association, also. For example, four years ago it was launched a Golf competition, held in Rome during summer . The event is organized in a prestigious hotel, the Sheraton Golf Hotel in Rome, that is a sponsor of the event itself. Suppliers are invited as sponsors, and the money they pay to have their own advertising space during the competition are collected for the association. Money also are

collected from the generous offers given by the prestigious players, invited from all over the Europe. On average, each year they collected between 250.000/500.000 euros.

The cost of the event is nearly zero; the people working are volunteers from the restaurants participating to the event, the location is offered by the Sheraton, and the dinner at the end of the competition is offered by sponsors. Zero costs and lots of benefits, both in terms of money collection and on advertising for the foundation.

The event has a great resonance at European level, and it stimulates the mass media curiosity too. This contributes to advertise the campaign and to increase the amount of money collected for the no profit foundation.





EXPO 2015

Mc Donald's is one of the most powerful sponsors of Expo 2015. This choice has been criticized a lot. Behind this sponsorship there are many reasons, both strategic and of brand image.

During an interview, Oscar Farinetti, Eataly founder, agreed with this sponsorship and claimed :

“ Being against Mc Donald's and Coca Cola sponsorship is purely a stupid thing : EXPO's message is Earth nutrition, and it is universal.

We should rather ask ourselves why we still have 20% of world population affected by malnutrition. I met

Those from Mc Donald's and we talked about

*a “Health and ecological product”. In the meanwhile,
the give work to lots of people.”*

From a survey done by the journal “Il Fatto Quotidiano” it emerges that only 23% agree with this sponsorship, the remaining 77% is against.

In favour or not, Mc Donald’s has worked a lot to improve under many aspects.

In a declaration (27 February 2015), Mc Donald’s explained why they will be present during the EXPO 2015 :

“Thanks to its 36.000 restaurants all over the world Mc Donald’s serves every day 70 million of people: there no many others that can face the reality concretely with the same number of customers we have. As a huge reality on the food industry, we can be able to face the thematic of the EXPO 2015: supply chain, distribution and consume”

Roberto Masi

We talked about the project “Fattore Futuro” and we saw who are the suppliers of Mc Donald’s.

“We embrace with pleasure the effort of Mc Donald’s in helping the young farmers who wants to realize concrete and innovative agricultural projects. It is an important signals coming from a company showing that they cares about sustainability, innovation and employment development in a period of big crisis. An effort that concretize itself in the valorisation of Italian local agriculture, using products coming from Italian farms, a strategy that nowadays is consolidated and that is part of EXPO 2015 philosophy. “

Giuseppe Gala, CEO EXPO 2015

On the 10th of march 2015, the CEO of Mc Donald's Roberto Masi has been invited to Ballarò transmission to discuss of its company and its presence to the EXPO 2015. We can sum up some representative sentences of what he said :

“There is a lot of ignorance, for ignorance I mean that people don't know what we do. My suggestion is: get informed. (...) It is also a matter of prices. You tell me about high quality fish, for example; well, I believe that offering a meal at 100 euro price does not nourish people. “

Roberto Masi

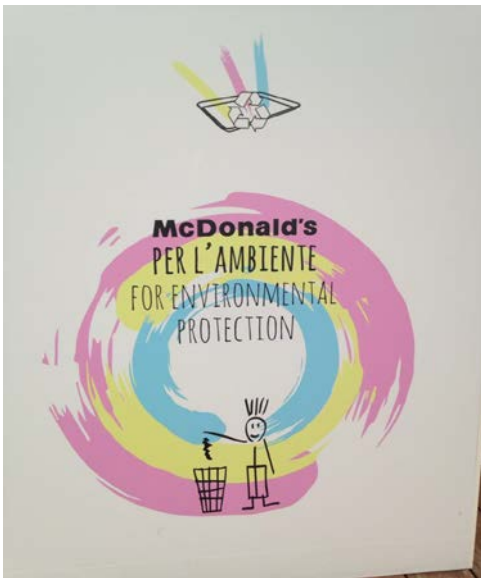
What is the message they want to give? Perhaps that they are investing a lot to make the business sustainable, and to help Italian agricultural sector. Love it or hate it, the fact is that being present to this event is for sure a good communication strategy. It is an opportunity to make people understand what really the company does.

We went to the EXPO 2015 to have a look.

The Mc Donald's restaurant in EXPO 2015 was built in a way similar to the Lainate's green restaurant. The first thing we saw was phone recharger points alimented with solar panels, out of the restaurant. Everybody can use them to recharge the phone, freely. This attracts consumers.



Outside the restaurant we found ecological bins, stressing the importance of recycling.



The happy meals boxes follow a different recycling procedure, and it is important for consumers to collaborate with the company to grant the best possible adherence to this practice.

The restaurants was done entirely in wood, and all the materials used will be recycled, once the EXPO 2015 will end up, to build other restaurants. They also used this occasion to show that the company is moving and achiving important environmental standards, and also innovative ones, as the usage of interactive menu boards and kiosks; kiosks are automatic and interactive cashes, consumers can make the order on their own; in this way the order goes

automatically in the kitchen, and it is prepared while the consumers is on code. Once the consumer will arrive to the cashes, his meal will be yet ready, lowering the waiting time. This is an innovation adopted yet by other countries, it is now presented in Italy. Consumers need to be trained to use those kiosks, but once they will be ready, they will find it easy and funny. The kiosks also stimulates curiosity of consumers, who will feel attracted in tasting new products, increasing the amount of their expense. This effect on consumers has been proved in the other countries, so it is a good means to increase the sales level.



A consumer using interactive kiosks in the EXPO 2015 restaurant.



Automatic menu boards outside the restaurant.

Mc Donald's' presence to EXPO 2015 : destroyer or saviour?

Nutrition, sustainability, food safety, health; those are the themes around the EXPO 2015.

All the stands are made with recycled materials, there is a huge attention to respect the environment, both in the process of food delivery and food creation.

Innovation is another important challenge. Mc Donald's is taking big effort to change the aspect of the restaurant, keeping environmental standards at high level.

Mc Donald's wants to give a strong message to the consumers it serves every day all over the worlds : things are changing. Mc Donald's has strong partners as suppliers, taking care of the environment. The company is doing and has done a lot to save the planet and to deliver a safe product. Most of the consumers does not know about it and need to be informed. They hope that by being present during this event consumers will catch the signal that things are changing.

Despite the critics, we saw that Mc Donald's restaurant was full of consumers, especially scholars and children visiting EXPO 2015. They criticized Mc Donald's a lot, but the truth

lies in the words of Roberto Masi : “We cannot nourish poor people offering them a 100euro meal”.

Chapter 5

Mc Donald's numbers in Italy

The Italian company is called “Mc Donald's Italy LLC”. It is based in Milan and its CEO is Roberto Masi. From the “Camera di Commercio” website we are able to find precious information about the company. In this chapter we will analyse the most important numbers of the Italian company, useful to understand which strategy they adopt in our country.

Unfortunately, the balance sheet 2014 is not consolidated yet, so we focused our analysis on the data of year 2011, 2012 and 2013, that are available on the “Camera di Commercio” website.

Year 2013

The balance sheet closed in 31 December 2013 declares earning of 27.574.006 euro. Every year Mc Donald's analyses its activity on the basis of the annual strategic plan. At the end of the year 2013 they changed the vision, the guide lines and the strategy, adapting them to new conditions.

The society is active in the fast food sector, under the brand “Mc Donald's”. During the year 2013 the activity has been implemented directly by the company and indirectly by means of franchising contracts. The companies knows well the importance of the corporate governance system to support a sustainable development, and this push the company to keep its governance in line with the continuous evolution dictated by the national and international “best practices” guidance.

The Italian company put efforts in following the practices of corporate development, controlling this process in a strict way. During the year, the company continued to renew the most significant process in economic terms. For each action taken it has been analysed : the activity, the objective, risks.

The organizational asset of the company is composed by responsible persons in the restaurants managing employees.

Balance sheet

The analysis of the Balance Sheet has the purpose to deepen the analysis about the financial equilibrium of the company. This equilibrium is analysed both on the medium and on the long run.

Balance Sheet			
Credit	€	Debit	€
Operative Investments	436,688,953	Shareholder Loans	235,324,290
Secondary investments	32,628,356	Loans	178,209,613
		Suppliers Liabilities	55,783,406
Total Invested Capital	469,317,309	Total Financed Capital	469,317,309

Investments

During the year the investments done by the company followed the national indications. The remodelling investments have the goal to innovate the functionality of the restaurants to offer better services and comfort, increasing the sales level and the consumer satisfaction.

Risks

According to what is reported in article 2428, comma 1 of the Italian Civil Code, here are listed risks and solutions the company adopts to face risks to avoid negative economic impact.

In particular, the company must grant its ability to :

- Correctly analyse market potentials
- Protect the brand, fundamental for the success and the competitiveness of the company on the market

The empowering and the growth of the company could be negatively affected if the company doesn't serve properly its consumers.

We claim that those risks can be mitigated by the synergic relationship the Italian company has with the international one, showing its ability to offer the right help in contrasting, or to better say it, anticipate critical problems they could face.

Market Risks

Our business is sensitive to changes in the consumer's choices. It could be influenced, moreover, by the business sector, local economic condition, risks of the sector in the country. Consumers' preferences and economic conditions change from country to country. Our business is affected also by climatic conditions and local festivities. We should consider that Mc Donald's activity is characterized by a high level of competition and by a continuous effort to innovate products and study of new products development to satisfy customers' needs.

The company operates in a sector affected by multiple disciplinary norms and rules in continuous evolution. It is also subject to controls made by certain authorities, as Asl and Nas, due to the typology of the product they sell.

Financial Risks

Mc Donald's is not subject to financial risks related to interest fees changes, and there is no perspective on the long run of financial risks that the company could not be able to sustain. They constantly keep under control debit and credit.

Indicators	
ROE	17,84%
ROI	13,68%
ROS	13,95%

As indicators shows the return on equity, investment and sales are high. This means that the business has a good performance.

Non-financial indicators

In the non-financial indicators we find expenses for promotions and advertisement.

During the year 2013 they had been of euro 11.301.681, nearly 3% of the annual revenues.

This is an important indicator of the brand presence in the market.

Environmental strategy

The company is taking responsibility in minimising its environmental impact, monitoring its performance day by day . It continuously defines new environmental achievement to

reach to improve the company environmental standards. From noise reduction to lower energetic consumption, to lower CO2 emissions. The company invests a lot in new machines and technologies to reach those standards.

Comments

During the first three months of the year revenues confirm the constant increasing trend of the company. Despite the crisis period affecting its competitors, Mc Donald's is able to predict risks and opportunities, basing its study both on future estimations and on past performance of the company.

MCDONALD'S DEVELOPMENT ITALY, INC

Head Office Wilmington Centerville Road 2711, DELAWARE 19808, STATI UNITI D'AMERICA

December 31, 2013
Balance Sheet

Total McD
Development Italy

in USD

ASSETS

Cash & Cash Equivalents	8.438.260
Accounts receivable - trade	29.919.721
Allowance for Doubtful Accounts	(4.897.057)
Inventory	1.722.375
Prepays & Other Current Assets	7.877.454
Receivable from McD Corp	86.170.227
Miscellaneous other assets	12.374.920
Investments in affiliates	19.800.423
Land	78.337.749
Buildings and improv. on owned land	232.082.453
Buildings and improv. on leased land	386.088.958
Equipment, seating and signs	104.143.060
Furniture, fixtures and other equipment	5.977.330
Accumulated deprec. and amort. (exclude cap. leases)	(194.474.050)
Construction in Progress	5.142.323
Lease Rights - net	59.450.873
Goodwill - net	195.729.317

TOTAL ASSETS

1.033.884.335

LIABILITIES AND STOCKHOLDERS' EQUITY

Notes payable	(5.800.959)
Accounts payable - trade	(90.274.496)
Accounts payable - affiliates	(4.839.185)
Property disposition reserve	(709.619)
Loans/advances to McDs and affiliates	(241.335.051)
Deferred taxes	(45.425.639)
Security deposits/Other Long-Term Liabilities	(3.774.068)
Deferred Rent - FAS 13	(1.231.843)

TOTAL LIABILITIES

(393.390.859)

Preferred equity	(142.290.200)
Capital stock	(39.019.726)
Additional paid-in capital	(533.607.608)
Retained earnings	106.565.178
Equity adjustment - foreign currency translation	(32.141.119)

TOTAL STOCKHOLDERS' EQUITY

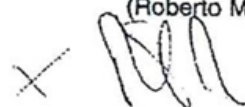
(640.493.476)

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY

(1.033.884.335)

The legal Representative

(Roberto Masi)

X 

X 

This is the official Balance Sheet of the company, year 2013; we took it from the “Camera di Commercio” website.

We can see that they have huge **fixed assets** : Land (19.800.423 \$), Buildings and improvements on owned land (78.337.749 \$), Buildings and improvements on leased land (232.082.453 \$).

Also the **construction in process** is very high : 5.142.323 \$.

Those numbers confirm the company strategy of investing a lot in fixed assets, whose value increase in the long run. This is a clever strategy, and it shows the solidity and the financial stability of the company.

For what concerns Liabilities, we find a huge amount of **Loans/advances** to McDs and affiliates. This, again, means that they invest a lot in opening new restaurants.

There is also another important peculiarity ; the **Additional paid in capital** is very high, it means that the shareholders put capital to finance the investment. There is no bank loans; this confirm that the company is so stable that its own shareholders are able to make the investments, needing no other external source of capital. **Retained earnings** are high too; this means that there is an amount of money shareholders left to the company to make investments.

So, to sum up, the balance sheet shows that they have a huge amount of fixed assets, mostly owned by the company itself, and whose value will increase on the long run . This strategy builds the company’s stability and drives a solid business. The other important aspect is about liabilities; shareholders are able to finance the company internally, there is no bank loans. The retained earnings grants investments disposition in case of necessity.

MCDONALD'S DEVELOPMENT ITALY, INC

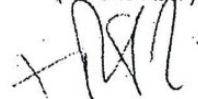
Head Office Wilmington Centerville Road 2711, DELAWARE 19808; STATI UNITI D'AMERICA

December 31, 2013
Income Statement

	Total McD Development Italy
	<u>In USD</u>
<u>INCOME:</u>	
Sales by Company-owned restaurants	(292.864.809)
Company-owned restaurants:Food and packaging	71.587.877
Company-owned restaurants:Payroll & other employee benefits	88.965.097
Company-owned restaurants:Other operating expenses	51.343.900
Rental income	(127.424.534)
Service fees	(53.915.745)
Initial location and license fees	(1.845.192)
Gains on sales of restaurant businesses	(4.124.782)
Share of subsidiary/affiliate earnings	(1.089.314)
Property disposition	4.209.801
Other operating (Income) Expense	220.520
Translation	(1.328)
Interest income	(9.299)
Other non-operating (Income) Expense	(58.451)
Intercompany interest (Income) Expense	5.555.503
Intercompany royalties (Income) Expense	69.386.665
Intercompany management fees (Income) Expense	31.882
Dividend Income	(90)
TOTAL INCOME	<u>(190.032.300)</u>
<u>EXPENSES:</u>	
Company-owned restaurants:Depreciation and amortization	13.828.978
Company-owned restaurants:Rent	18.366.828
Franchised restaurants:Depreciation and amortization	15.913.288
Franchised restaurants:Rent	39.871.561
S G & A Payroll	17.771.764
Selling, general and administrative expenses	15.340.734
Outside interest incurred	69.078
Capitalized interest	(217.863)
TOTAL EXPENSES	<u>120.964.369</u>
(INCOME) LOSS BEFORE TAXES	<u>(69.067.931)</u>
<u>TAXES:</u>	
Provision for income taxes - Current	26.431.746
Provision for income taxes - Deferred	1.769.492
TOTAL PROVISION FOR INCOME TAXES	<u>28.201.238</u>
(INCOME) LOSS AFTER TAXES	<u>(40.866.693)</u>

The legal Representative

(Roberto Masi)




The highest number of the income derives by company-owned restaurants **sales** (292.864.809 \$). They have fees to be paid to the American Company(**Intercompany royalties fees** 69.386.665 \$). If we sum up total earning, they are 481.333.481 \$.

To measure the profitability of the business, we divided the EBITDA for the total earnings (69.067.931 /481.333.481); we obtained 14,35%. This number means that the business performs in a good way. We divided the expense for food and packing and we divided it for the company sales plus rental income (71.587.877/(292.864.809+127.424.534)); we obtained that the food has an incidence of 17% on the total expenses the company faces.

So, the income statement shows that the main source of money is given by the sales, and secondly by the **rental income**. This confirms the high real estate profile of the company.

Food has a medium-low incidence on company expenses, and the business is performing in a good way, as the EBIT/TOTAL EARNINGS ratio shows.

As long as Mc Donald's is a multinational company and Italy is not its original country, the affiliates have to pay royalties to the mother case. Those royalties are calculated as a percentage of the sales level in the country.

Both the Balance sheet and the income statement demonstrate how solid is Mc Donald's business in Italy, thanks to the strong real estate the company owns.

MCDONALD'S DEVELOPMENT ITALY, INC ITALIAN BRANCH

Sede in Wilmington Centerville Road 2711, DELAWARE 19808, STATI UNITI D'AMERICA

Fondo di dotazione Euro 92.994,945 inter. versato

Sede italiana : Via del Bosco Rinnovato 6, Assago (MI)

Iscritta presso il registro imprese di Milano

Codice fiscale e numero iscrizione: 02409950876

BILANCIO AL 31 DICEMBRE 2012

STATO PATRIMONIALE		
ATTIVO	31/12/2012	31/12/2011
B) IMMOBILIZZAZIONI		
I - Immobilizzazioni immateriali:		
4) Concessioni, licenze, marchi e diritti simili	€. 1.455.619	€. 1.822.322
5) Avviamento	€. 10.173.059	€. 9.039.405
6) Immobilizzazioni in corso e acconti	€. 1.856.904	€. 1.442.628
7) Altre	€. 150.697.661	€. 143.467.679
Totale immobilizzazioni immateriali	€. 164.183.243	€. 155.772.034
II - Immobilizzazioni materiali:		
1) Terreni e fabbricati	€. 153.310.044	€. 128.682.956
3) Attrezzature industriali e commerciali	€. 24.381.616	€. 24.387.495
4) Altri beni	€. 17.469.867	€. 16.998.353
5) Immobilizzazioni in corso e acconti	€. 7.361.334	€. 980.656
Totale immobilizzazioni materiali	€. 202.522.861	€. 171.049.460
III - Immobilizzazioni finanziarie:		
1) Partecipazioni in:		
a) Imprese controllate	€. 26.396.215	€. 26.396.215
b) Imprese collegate	€. 4.130.938	€. 5.030.938
Totale partecipazioni	€. 30.527.153	€. 31.427.153
2) Crediti:		
d) Verso altri		
* - oltre i 12 mesi	€. 3.428.361	€. 4.511.176
Totale immobilizzazioni finanziarie	€. 33.955.513	€. 35.938.329
TOTALE IMMOBILIZZAZIONI	€. 400.661.618	€. 362.759.823

01

Comparison years 2011-2012

To better understand the strategy of a company it could be useful to study the balance sheet and the income statement. As we said before, the data of year 2014 are not available, so we analysed year 2013 and the comparison between year 2011 and 2012.

Balance sheet

We see that in year 2012 there has been an increase in the **fixed assets**, in particular new openings of restaurants; they passed from 155.772.034 € in 2011 to 164.183.243 € in 2012.

Another important data about fixed assets is related to the **land acquisition**, we notice that in 2012 there has been an increase of 25.000.000 €. Also the **construction of new restaurants** saw a huge increase, from 980.656 € of year 2011 to 7.361.334 in 2012. The increase in the fixed assets also takes as a consequence an increase in the **ammotization expenses**.

In the next page we will see that there has been an increase in the **debit to the mother case**; this is because they financed the Italian branch in the acquisition of fixed assets. Mc Donald's strategy is to increase its fixed assets, investing a huge amount of money, to increase the level of profit by the same proportion. Those data shows that the company is able to succeed in it.

By investing a lot, they earn the same percentage in profits, increasing the debit to the American mother case; having debit with the mother case is a clever and safe strategy, because the mother case has no intention to put pressure for payment of interest; it has no intention to make the Italian company fail. If instead they would have had loans with banks, this could have represented a source of risk. They do all internally, helping each other, counting on the financial resource of shareholders and the mother case. This shows the solidity and the power of the company and it is not a common business model for a multinational company.

C) **ATTIVO CIRCOLANTE**

I - Rimanenze:

1) Materie prime, sussidiarie e di consumo	€.	224.875	€.	247.950
4) Prodotti finiti e merci	€.	1.318.900	€.	1.330.869
5) Acconti ai fornitori	€.	86.814	€.	313.136
Totale rimanenze	€.	1.630.589	€.	1.891.955

II - Crediti:

1) Verso Clienti				
- entro i 12 mesi	€.	19.601.171	€.	17.538.530
2) Verso imprese controllate entro 12 mesi	€.	2.506.048	€.	2.922.562
4-bis) Tributarie entro 12 mesi				
- entro i 12 mesi	€.	103.104	€.	1.225.048
5) Verso altri entro 12 mesi				
- entro i 12 mesi	€.	2.632.319	€.	4.392.535
Totale crediti	€.	24.842.642	€.	26.078.674

IV - Disponibilità liquide:

1) Depositi bancari e postali	€.	1.431.210	€.	6.321.622
3) Denaro e valori in cassa	€.	5.156.133	€.	564.431
Totale disponibilità liquide	€.	6.587.343	€.	6.886.052

TOTALE ATTIVO CIRCOLANTE

€. 33.060.574 **€. 34.856.682**

D) RATEI E RISCONTI

€. 3.371.807 €. 4.641.434

TOTALE ATTIVO

€. 437.093.999 **€. 402.257.938**

*

PASSIVO

31/12/2012

31/12/2011

A) **PATRIMONIO NETTO**

I) Fondo di dotazione	€.	92.994.945	€.	92.994.945
VII) Altre riserve				
- Versamenti in conto copertura perdite	€.	45.334.445	€.	45.334.445
VIII) Utili (perdite) portati a nuovo	€.	45.418.901	€.	24.421.371
IX) Utile (perdita) d'esercizio	€.	24.001.992	€.	20.997.530
TOTALE PATRIMONIO NETTO	€.	207.750.283	€.	183.748.291

C) **FONDO TRATTAMENTO DI FINE RAPPORTO**

€. 6.074.269 €. 5.388.862

*

Another important sign of stability is about the financial resources. As we saw for year 2013, they do not make dividends distribution. They left dividends on disposal to make eventual investments. Shareholders are very powerful and rich, and can self finance the company, not needing external help of banks . This lower the failure risk of the company, and stress how solid it is the business.

In the next page we will see that in year 2012 there is a little **bank debt** (8.769.873€). After, we find a decrease in the debt to suppliers . We ipotize that they preferred to borrow money from bank in a particular moment to pay suppliers, creating a debt with banks and lowering the debt to suppliers. In this kind of business it is fundamental to be in line with suppliers payments, so it is preferrable to incurr a little bank loans to pay suppliers.

There has been a decrease in the **short run debt** with the Mother case, from 6.196.893€ to 5.437.121€ in 2011; on the other hand, we find a huge increase in the long term debt with the mother case, from 142.000.000€ to 164.000.000 in 2012. This could be explained with the increase in the fixed assets. Perhaps the mother case helped the italian branch in fixed assets acquisition. As we said previously, for the italian company is important to have debt with the mother case, and no bank debt.

D) DEBITI:

4) Verso banche		
- entro i 12 mesi	€. 8.768.873	€. -
5) Debiti verso altri finanziatori entro 12 mesi	€. -	€. -
7) Debiti verso fornitori entro 12 mesi	€. 21.118.840	€. 31.448.221
11) Debiti verso casa madre		
- entro i 12 mesi	€. 5.437.121	€. 6.196.863
- oltre i 12 mesi	€. 164.000.000	€. 142.000.000
Totale debiti verso casa madre	€. 169.437.121	€. 148.196.863
12) Debiti tributari entro 12 mesi	€. 4.292.414	€. 11.031.704
13) Debiti v.so Istituti di previdenza e sicurezza sociale		
- entro 12 mesi	€. 3.637.649	€. 3.385.937
14) Altri debiti		
- entro i 12 mesi	€. 12.041.753	€. 14.108.051
- oltre i 12 mesi	€. 2.463.493	€. 3.011.201
Totale Altri debiti	€. 14.505.246	€. 17.119.253
TOTALE DEBITI	€. 221.760.144	€. 211.181.979
E) RATEI E RISCOINTI	€. 1.509.303	€. 1.938.806
TOTALE PASSIVO	€. 437.093.999	€. 402.257.938

CONTO ECONOMICO

A) VALORE DELLA PRODUZIONE:

1) Ricavi delle vendite e delle prestazioni	€. 366.322.268	€. 340.399.510
5) Altri ricavi	€. 4.785.865	€. 5.970.476
TOTALE VALORE DELLA PRODUZIONE	€. 371.108.132	€. 346.369.985

B) COSTI DELLA PRODUZIONE

6) Per materie prime, sussidiarie, di consumo e merci	€. 61.198.223	€. 55.605.482
7) Per servizi	€. 42.028.640	€. 40.876.343
8) Per godimento di beni dei terzi	€. 100.386.142	€. 94.345.472
9) Per il personale:	€. 84.885.155	€. 78.740.462
a) Salari e stipendi	€. 62.088.600	€. 58.255.878
b) Oneri sociali	€. 17.042.328	€. 15.240.580
c) Trattamento di fine rapporto	€. 4.148.365	€. 3.782.588
e) Altri costi	€. 1.605.862	€. 1.461.416
10) Ammortamenti e svalutazioni:	€. 31.637.057	€. 28.982.444
a) Ammortamento delle immobilizzazioni immateriali	€. 22.116.639	€. 20.593.459
b) Ammortamento delle immobilizzazioni materiali	€. 9.520.418	€. 8.388.985
11) Variazioni delle rimanenze di		

SM

ST

Income statement

We see that the **total value production** has increased from 346.369.985€ to 371.108.132€ in just one year, they increased the total value production of +9.33%. We can hypothesize that this increase is given by the increase in the fixed assets investments. If McDonald's strategy is to invest in fixed assets to improve the performance of the business, the data shows that they are able to do it well.

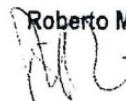
We had a look also at the **expenses**, to see if they are in line with the increase in production value. It seems that they all increased for a percentage of nearly 9%, so in line with the increase in the production. If the expenses would have been increased more than the production value, this would have meant that the performance of the business was bad.

We have to stress that an increase in the total production value of 9.33% in just one year is a huge achievement. There are not so many other companies able to reach those performance improvements in one year.

mat. prime, sussid.di consumo e merci	€.	36.312	€.	(122.048)
14) Oneri diversi di gestione	€.	7.383.146	€.	11.154.630
TOTALE COSTI DELLA PRODUZIONE	€.	327.554.675	€.	309.582.784
DIFF. TRA VALORI E COSTI DELLA PRODUZIONE	€.	43.553.457	€.	36.787.201
C) PROVENTI E ONERI FINANZIARI				
15) Proventi da partecipazioni				
- da imprese collegate	€.	290.000	€.	425.000
16) Altri proventi finanziari				
d) altri	€.	94.161	€.	66.187
17) Interessi e altri oneri finanziari	€.	4.678.790	€.	4.501.213
17-bis) utili e perdite su cambi	€.	60.863	€.	22.005
TOTALE PROVENTI E ONERI FINANZIARI	€.	(4.233.766)	€.	(3.988.021)
E) PROVENTI E ONERI STRAORDINARI				
20) Proventi				
- sopravvenienze attive	€.	1.125.579	€.	1.531.862
Totale proventi straordinari	€.	1.125.579	€.	1.531.862
21) Oneri				
- sopravvenienze passive	€.	1.926.503	€.	998.015
Totale oneri straordinari	€.	1.926.503	€.	998.015
TOTALE PROVENTI E ONERI STRAORDINARI	€.	(800.924)	€.	533.846
Risultato prima delle imposte	€.	38.518.768	€.	33.333.026
22) Imposte sul reddito dell'esercizio	€.	14.516.776	€.	12.335.496
- irs	€.	10.777.819	€.	8.562.545
- irap	€.	3.738.957	€.	3.772.951
23) UTILE/PERDITA DELL'ESERCIZIO	€.	24.001.992	€.	20.997.530

Il legale rappresentante

Roberto Masi



There has been an increase in the **cost of production**, due to the total increase in the production value.

Again, we find an increase in the financial loans, due to the increase in the investments. Those loans are to the mother case, who financed the investments.

Finally, **revenues** increased for a total of +11.43%. They passed from 20.997.530€ to 24.001.992€ in 2012. Revenues increased more than the production level, this shows that the company is able to make the right investment to improve the performance.

All the voices of the Balance Sheet and the Income Statement are in line with the company strategy described previously. The most relevant source of power comes from the **real estate** investments they make.

We know that the firm purpose is to maximize its value. For value we mean *Shareholders Value*, that is composed of future results and risk control.

The financial statement study is fundamental to understand a company performance, in particular it gives an idea of performance in terms of :

- *Profitability* : ability to sell products and to generate profits
- *Solvency* : ability to pay long term debt
- *Liquidity* : ability to pay short term debt and collect credits

About the *profitability* we have seen that it has increased constantly during the years examined.

About *solvency* and *liquidity* the company is safe, because the only debt it collects are with the mother case.

From the analysis of the numbers of the company in Italy we understand how solid and well managed is the business of Mc Donald's.

Comparison with a competitor : Burgher king

We believe it could be useful to make a comparative analysis of Mc Donald's numbers with those of its most direct competitor : Burger King.

We went on the "Camera di Commercio" website and took the balance sheet and the income statement of the company "BURGER KING ITALIA SRL", with a unique owner.

It is based in Rome and it is a limited responsibility company. At first sight is easy to understand that there is something quite strange about "Burger King Italia srl" numbers. It seems as if the Italian company makes just services, and not a restaurants activity. This stimulates our curiosity in understanding the company strategy. Here we have the Balance Sheet and the Income Statement of the unique Italian company of Burger King.

Stato patrimoniale

	2013-12-31	2012-12-31
Attivo		
A) Crediti verso soci per versamenti ancora dovuti		
Parte richiamata	0	0
Parte da richiamare	0	0
Totale crediti verso soci per versamenti ancora dovuti (A)	0	0
B) Immobilizzazioni		
I - Immobilizzazioni immateriali		
1) costi di impianto e di ampliamento	0	0
2) costi di ricerca, di sviluppo e di pubblicità	0	0
3) diritti di brevetto industriale e diritti di utilizzazione delle opere dell'ingegno	0	0
4) concessioni, licenze, marchi e diritti simili	0	0
5) avviamento	0	0
6) immobilizzazioni in corso e acconti	0	0
7) altre	0	0
Totale immobilizzazioni immateriali	0	0
II - Immobilizzazioni materiali		
1) terreni e fabbricati	0	0
2) impianti e macchinario	0	0
3) attrezzature industriali e commerciali	0	0
4) altri beni	0	0
5) immobilizzazioni in corso e acconti.	0	0
Totale immobilizzazioni materiali	0	0
III - Immobilizzazioni finanziarie		
1) partecipazioni		
a) imprese controllate	0	0
b) imprese collegate	0	0
c) imprese controllanti	0	0
d) altre imprese	0	0
Totale partecipazioni	0	0
2) crediti		
a) verso imprese controllate		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale crediti verso imprese controllate	0	0
b) verso imprese collegate		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale crediti verso imprese collegate	0	0
c) verso controllanti		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale crediti verso controllanti	0	0
d) verso altri		

	esigibili entro l'esercizio successivo	0	0
	esigibili oltre l'esercizio successivo	0	0
	Totale crediti verso altri	0	0
Totale crediti		0	0
3) altri titoli		0	0
4) azioni proprie		0	0
azioni proprie, valore nominale complessivo (per memoria)		0	0
Totale immobilizzazioni finanziarie		0	0
Totale immobilizzazioni (B)		0	0
C) Attivo circolante			
I - Rimanenze			
1) materie prime, sussidiarie e di consumo		0	0
2) prodotti in corso di lavorazione e semilavorati		0	0
3) lavori in corso su ordinazione		0	0
4) prodotti finiti e merci		0	0
5) acconti		0	0
Totale rimanenze		0	0
II - Crediti			
1) verso clienti			
	esigibili entro l'esercizio successivo	1.340.301	870.478
	esigibili oltre l'esercizio successivo	0	0
	Totale crediti verso clienti	1.340.301	870.478
2) verso imprese controllate			
	esigibili entro l'esercizio successivo	0	0
	esigibili oltre l'esercizio successivo	0	0
	Totale crediti verso imprese controllate	0	0
3) verso imprese collegate			
	esigibili entro l'esercizio successivo	154.387	162.769
	esigibili oltre l'esercizio successivo	0	0
	Totale crediti verso imprese collegate	154.387	162.769
4) verso controllanti			
	esigibili entro l'esercizio successivo	0	0
	esigibili oltre l'esercizio successivo	0	0
	Totale crediti verso controllanti	0	0
4-bis) crediti tributari			
	esigibili entro l'esercizio successivo	360.925	489.607
	esigibili oltre l'esercizio successivo	0	0
	Totale crediti tributari	360.925	489.607
4-ter) imposte anticipate			
	esigibili entro l'esercizio successivo	0	0
	esigibili oltre l'esercizio successivo	0	0
	Totale imposte anticipate	0	0
5) verso altri			
	esigibili entro l'esercizio successivo	1.146.148	33.905
	esigibili oltre l'esercizio successivo	0	0
	Totale crediti verso altri	1.146.148	33.905
Totale crediti		3.001.761	1.556.759
III - Attività finanziarie che non costituiscono immobilizzazioni			
1) partecipazioni in imprese controllate		0	0
2) partecipazioni in imprese collegate		0	0
3) partecipazioni in imprese controllanti		0	0
4) altre partecipazioni		0	0
5) azioni proprie		0	0
azioni proprie, valore nominale complessivo (per memoria)		0	0

Totale attività finanziarie che non costituiscono immobilizzazioni	0	0
IV - Disponibilità liquide		
1) depositi bancari e postali	1.218.078	1.356.402
2) assegni	0	0
3) danaro e valori in cassa.	0	0
Totale disponibilità liquide	1.218.078	1.356.402
Totale attivo circolante (C)	4.219.839	2.913.161
D) Ratei e risconti		
Ratei e risconti attivi	0	0
Disaggio su prestiti emessi	0	0
Totale ratei e risconti (D)	0	0
Totale attivo	4.219.839	2.913.161
Passivo		
A) Patrimonio netto		
I - Capitale	10.000	10.000
II - Riserva da soprapprezzo delle azioni	0	0
III - Riserve di rivalutazione	0	0
IV - Riserva legale	2.000	2.000
V - Riserve statutarie	0	0
VI - Riserva per azioni proprie in portafoglio	0	0
VII - Altre riserve, distintamente indicate		
Riserva straordinaria o facoltativa	0	0
Riserva per rinnovamento impianti e macchinari	0	0
Riserva ammortamento anticipato	0	0
Riserva per acquisto azioni proprie	0	0
Riserva da deroghe ex art. 2423 Cod. Civ	0	0
Riserva azioni (quote) della società controllante	0	0
Riserva non distribuibile da rivalutazione delle partecipazioni	0	0
Versamenti in conto aumento di capitale	0	0
Versamenti in conto futuro aumento di capitale	0	0
Versamenti in conto capitale	4.000.000	4.000.000
Versamenti a copertura perdite	0	0
Riserva da riduzione capitale sociale	0	0
Riserva avanzo di fusione	0	0
Riserva per utili su cambi	0	0
Differenza da arrotondamento all'unità di Euro	0	0
Riserve da condono fiscale:		
Riserva da condono ex L. 19 dicembre 1973, n. 823;	0	0
Riserva da condono ex L. 7 agosto 1982, n. 516;	0	0
Riserva da condono ex L. 30 dicembre 1991, n. 413;	0	0
Riserva da condono ex L. 27 dicembre 2002, n. 289.	0	0
Totale riserve da condono fiscale	0	0
Varie altre riserve	0	0
Totale altre riserve	4.000.000	4.000.000
VIII - Utili (perdite) portati a nuovo	-3.431.659	-3.168.933
IX - Utile (perdita) dell'esercizio		
Utile (perdita) dell'esercizio.	520.346	-262.725
Acconti su dividendi	0	0
Copertura parziale perdita d'esercizio	0	0
Utile (perdita) residua	520.346	-262.725
Totale patrimonio netto	1.100.687	580.341
B) Fondi per rischi e oneri		

D) Debiti		
1) obbligazioni		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale obbligazioni	0	0
2) obbligazioni convertibili		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale obbligazioni convertibili	0	0
3) debiti verso soci per finanziamenti		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale debiti verso soci per finanziamenti	0	0
4) debiti verso banche		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale debiti verso banche	0	0
5) debiti verso altri finanziatori		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale debiti verso altri finanziatori	0	0
6) acconti		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale acconti	0	0
7) debiti verso fornitori		
esigibili entro l'esercizio successivo	2.746.365	1.866.451
esigibili oltre l'esercizio successivo	0	0
Totale debiti verso fornitori	2.746.365	1.866.451
8) debiti rappresentati da titoli di credito		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale debiti rappresentati da titoli di credito	0	0
9) debiti verso imprese controllate		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale debiti verso imprese controllate	0	0
10) debiti verso imprese collegate		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale debiti verso imprese collegate	0	0
11) debiti verso controllanti		
esigibili entro l'esercizio successivo	0	0
esigibili oltre l'esercizio successivo	0	0
Totale debiti verso controllanti	0	0
12) debiti tributari		
esigibili entro l'esercizio successivo	96.892	108.427
esigibili oltre l'esercizio successivo	0	0
Totale debiti tributari	96.892	108.427
13) debiti verso istituti di previdenza e di sicurezza sociale		
esigibili entro l'esercizio successivo	40.204	102.444
esigibili oltre l'esercizio successivo	0	0
Totale debiti verso istituti di previdenza e di sicurezza sociale	40.204	102.444
14) altri debiti		
esigibili entro l'esercizio successivo	41.007	68.874
esigibili oltre l'esercizio successivo	0	0
Totale altri debiti	41.007	68.874
Totale debiti	2.924.468	2.146.196
E) Ratei e risconti		
Ratei e risconti passivi	0	0
Aggio su prestiti emessi	0	0
Totale ratei e risconti	0	0

Totale passivo

4.219.839

2.913.161

Conti d'ordine

	2013-12-31	2012-12-31
Rischi assunti dall'impresa		
Fideiussioni		
a imprese controllate	0	0
a imprese collegate	0	0
a imprese controllanti	0	0
a imprese controllate da controllanti	0	0
ad altre imprese	0	0
Totale fideiussioni	0	0
Avalli		
a imprese controllate	0	0
a imprese collegate	0	0
a imprese controllanti	0	0
a imprese controllate da controllanti	0	0
ad altre imprese	0	0
Totale avalli	0	0
Altre garanzie personali		
a imprese controllate	0	0
a imprese collegate	0	0
a imprese controllanti	0	0
a imprese controllate da controllanti	0	0
ad altre imprese	0	0
Totale altre garanzie personali	0	0
Garanzie reali		
a imprese controllate	0	0
a imprese collegate	0	0
a imprese controllanti	0	0
a imprese controllate da controllanti	0	0
ad altre imprese	0	0
Totale garanzie reali	0	0
Altri rischi		
crediti ceduti pro solvendo	0	0
altri	0	0
Totale altri rischi	0	0
Totale rischi assunti dall'impresa	0	0
Impegni assunti dall'impresa		
Totale impegni assunti dall'impresa	0	0
Beni di terzi presso l'impresa		
merci in conto lavorazione	0	0
beni presso l'impresa a titolo di deposito o comodato	0	0
beni presso l'impresa in pegno o cauzione	0	0
altro	0	0
Totale beni di terzi presso l'impresa	0	0
Altri conti d'ordine		
Totale altri conti d'ordine	0	0
Totale conti d'ordine	0	0

Conto economico

	2013-12-31	2012-12-31
A) Valore della produzione:		
1) ricavi delle vendite e delle prestazioni	5.966.805	6.053.322
2) variazioni delle rimanenze di prodotti in corso di lavorazione, semilavorati e finiti	0	0
3) variazioni dei lavori in corso su ordinazione	0	0
4) incrementi di immobilizzazioni per lavori interni	0	0
5) altri ricavi e proventi		
contributi in conto esercizio	0	0
altri	1.490	33.749
Totale altri ricavi e proventi	1.490	33.749
Totale valore della produzione	5.968.295	6.087.071
B) Costi della produzione:		
6) per materie prime, sussidiarie, di consumo e di merci	62	1.388
7) per servizi	4.881.670	6.016.366
8) per godimento di beni di terzi	29.553	114.723
9) per il personale:		
a) salari e stipendi	300.584	875.681
b) oneri sociali	102.415	201.801
c) trattamento di fine rapporto	24.640	45.102
d) trattamento di quiescenza e simili	0	0
e) altri costi	0	82.626
Totale costi per il personale	427.639	1.205.210
10) ammortamenti e svalutazioni:		
a) ammortamento delle immobilizzazioni immateriali	0	0
b) ammortamento delle immobilizzazioni materiali	0	0
c) altre svalutazioni delle immobilizzazioni	0	0
d) svalutazioni dei crediti compresi nell'attivo circolante e delle disponibilità liquide	0	0
Totale ammortamenti e svalutazioni	0	0
11) variazioni delle rimanenze di materie prime, sussidiarie, di consumo e merci	0	0
12) accantonamenti per rischi	24.828	125.000
13) altri accantonamenti	0	0
14) oneri diversi di gestione	25.171	10.050
Totale costi della produzione	5.388.923	7.472.737
Differenza tra valore e costi della produzione (A - B)	579.372	-1.385.666
C) Proventi e oneri finanziari:		
15) proventi da partecipazioni		
da imprese controllate	0	0
da imprese collegate	0	0
altri	0	0
Totale proventi da partecipazioni	0	0
16) altri proventi finanziari:		
a) da crediti iscritti nelle immobilizzazioni		
da imprese controllate	0	0
da imprese collegate	0	0
da imprese controllanti	0	0
altri	0	0
Totale proventi finanziari da crediti iscritti nelle immobilizzazioni	0	0
b) da titoli iscritti nelle immobilizzazioni che non costituiscono partecipazioni	0	0
c) da titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	0	0
d) proventi diversi dai precedenti		
da imprese controllate	0	0
da imprese collegate	0	0
da imprese controllanti	0	0
altri	82	2.226
Totale proventi diversi dai precedenti	82	2.226
Totale altri proventi finanziari	82	2.226

17) interessi e altri oneri finanziari		
a imprese controllate	0	0
a imprese collegate	0	0
a imprese controllanti	0	0
altri	0	211
Totale interessi e altri oneri finanziari	0	211
17-bis) utili e perdite su cambi	23	0
Totale proventi e oneri finanziari (15 + 16 - 17 + - 17-bis)	105	2.015
D) Rettifiche di valore di attività finanziarie:		
18) rivalutazioni:		
a) di partecipazioni	0	0
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	0	0
c) di titoli iscritti all'attivo circolante che non costituiscono partecipazioni	0	0
Totale rivalutazioni	0	0
19) svalutazioni:		
a) di partecipazioni	0	0
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	0	0
c) di titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	0	0
Totale svalutazioni	0	0
Totale delle rettifiche di valore di attività finanziarie (18 - 19)	0	0
E) Proventi e oneri straordinari:		
20) proventi		
plusvalenze da alienazioni i cui ricavi non sono iscrivibili al n 5	0	0
Differenza da arrotondamento all'unità di Euro	0	2
altri	21.612	1.489.230
Totale proventi	21.612	1.489.232
21) oneri		
minusvalenze da alienazioni i cui effetti contabili non sono iscrivibili al n 14	0	0
imposte relative ad esercizi precedenti	0	0
Differenza da arrotondamento all'unità di Euro	1	0
altri	0	274.284
Totale oneri	1	274.284
Totale delle partite straordinarie (20 - 21)	21.611	1.214.948
Risultato prima delle imposte (A - B + - C + - D + - E)	601.088	-168.703
22) Imposte sul reddito dell'esercizio, correnti, differite e anticipate		
imposte correnti	80.742	94.023
imposte differite	0	0
imposte anticipate	0	0
proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale	0	0
Totale delle imposte sul reddito dell'esercizio, correnti, differite e anticipate	80.742	94.023
23) Utile (perdita) dell'esercizio	520.346	-262.726

Data analysis

The company resoult owns no tangible nor intangible assets. It has some credits for the services activities it makes. Here we have the composition of credits

Descrizione	Valore nominale	Fondo svalutazione	Fondo svalutazione interessi di mora	Valore netto
Verso Clienti - esigibili entro l'esercizio successivo	1.340.301	0	0	1.340.301
Verso Collegate - esigibili entro l'esercizio successivo	154.387	0	0	154.387
Tributari - esigibili entro l'esercizio successivo	360.925	0	0	360.925
Verso Altri - esigibili entro l'esercizio successivo	1.146.148	0	0	1.146.148
Totali	3.001.761	0	0	3.001.761

About the liquidity, the company has good performance

Descrizione	Saldo iniziale	Saldo finale	Variazione
Depositi bancari e postali	1.356.402	1.218.078	-138.324
Totali	1.356.402	1.218.078	-138.324

For what concerns debit, the most relevant ones are with suppliers; they have no bank loans or other financial debts with external institutions

Descrizione	Entro i 12 mesi	Oltre i 12 mesi	Oltre i 5 anni	Totale
Debiti verso fornitori	2.746.365	0	0	2.746.365
Debiti tributari	96.892	0	0	96.892
Debiti vs.istituti di previdenza e sicurezza sociale	40.204	0	0	40.204
Altri debiti	41.007	0	0	41.007
Totali	2.924.468	0	0	2.924.468

As we said before, what emerges from the data is that revenues and expenses are related to services the company makes in our country. Here we have revenues and costs

Descrizione	Periodo Precedente	Periodo Corrente	Variazione
Contributi al fondo marketing erogati dai franchisees	4.074.956	4.334.566	259.610
Coke Income	715.004	824.959	109.955
Prestazioni di servizi per conto delle società del gruppo	1.263.362	807.280	- 456.082
Totali	6.053.322	5.966.805	- 86.517

Descrizione	Periodo Precedente	Periodo Corrente	Variazione
Energia elettrica	7.261	0	-7.261
Acqua	592	0	-592
Pubblicità	5.466.919	4.497.628	-969.291
Consulenze	235.113	149.083	-86.030
Spese telefoniche	48.930	26.647	-22.283
Spese di rappresentanza	5.009	0	-5.009
Spese di viaggio e trasferta	179.971	118.355	-61.616
Oneri bancari	2.376	1.569	-807
Spese di manutenzione e riparazione	878	0	-878
Altre spese	69.317	88.388	19.071
Totali	6.016.366	4.881.670	-1.134.696

Descrizione	Periodo Precedente	Periodo Corrente	Variazione
Affitti e locazioni	5.833	0	-5.833
Noleggi	108.890	29.553	- 79.337
Totali	114.723	29.553	-85.170

Going on reading the Notes relative to the data of the company, we discovered that the Italian company is just a legal entity to justify promotional and services activity the original American company does in Italy; the mother company, the one that really coordinates Burger King all over Europe, is another one: "Burger King Luxembourg S.a.r.l.". This company is entrusted to consolidate the Balance Sheet and the Income Statement of the fast food activity in our country. In few words, there is a headquarters located in Luxembourg coordinating the franchising restaurants in the other European countries; what we find in the specific country is just a legal company to control the services, not to manage the original business. This explains why we have no fixed assets in the balance sheet of "Burger King Italia srl".

This explains the atypical look of the balance sheet and the income statement of the Italian company, and gives us precious information to deduce the strategy of the most powerful competitor of McDonald's.

Here we have the data relative to the Burger King Luxembourg s.a.r.l. company

	31.12.2012	31.12.2011
ASSETS		
Fixed assets		
Financial assets	226.285.363	202.986.757
Current assets		

Debtors becoming and payable after less than one year	18.093.946	175.488
Debtors becoming and payable after more than one year	0	17.975.000
Cash at bank, cash and in hand	86.469	8.458.615
Total assets	244.465.779	229.595.860
LIABILITIES		
Capital and reserves		
Subscribed capital	59.455.175	59.455.175
Share premium and similar premium	213.394.924	213.394.924
Results brought forward	- 53.616.555	- 53.181.516
Result for the financial year / period	- 656.562	- 435.039
Total	218.576.982	219.233.544
Creditors		
Not subordinated debts becoming due payable after less than one year	18.590.191	10.362.316
Not subordinated debts becoming due payable after more than one year	7.298.606	0
Total liabilities	244.465.779	229.595.860
CHARGES		
Other external charges	118.970	712.001
Interest payable and similar charges	851.264	280.987
Tax or profit or loss	1.575	1.575
Other tax	81.159	94.051
Total charges	1.052.968	1.088.614
INCOME		
Income from financial fixed assets	396.329	653.575
Other interest receivable and similar income	77	0
Loss for the financial period	656.562	435.039
Total income	1.052.968	1.088.614

Burger King International Strategy

From those data we can understand how the company moves in our country. It seems that there is one big heartquarter in Europe coordinating european countries. In each country there are franchisees, not company restaurants. Those franchisees are controlled by the heartquarter

and have a low degree of autonomy. There exist national companies, whose purpose is just to represent legally the company in terms of services expenses and revenues. They don't own restaurants, they just rent them.

The strategy adopted by Burger King could represent a safe way to enter the market. By controlling the business from abroad they control the risk of the sector, investing less (rent, no acquisition of restaurants). This international strategy is typical of the market penetration. This strategy loses its significance, however, if we consider that the company landed in Italy around 1996. McDonald's Italian company is a branch of the original American one, but it is autonomous; it was helped from abroad to manage the first restaurants, but this management strategy lasted just a couple of years, then McDonald's Italy became a reality, in terms of fixed assets, performance, management freedom, local promotional campaigns. Burger King strategy seems ancient and, mostly, static.

We have no idea of why Burger King Italia keeps on implementing this strategy, and does not evolve.

What is clear is that McDonald's Italia strategy evolves faster and it is completely different, if compared to the one of Burger King Italia.

Mc Donald's vs Burger King

We made a comparison between two companies to understand their strategies in our country. Thanks to the balance sheet and the income statement we are able to extrapolate precious informations and to give our conclusions. Here follows a table summarizing the most salient data we considered in the comparison of the companies

Year 2013	Mc Donald's	Burger King	
Fixed Assets	330,220.749\$	0	Measure the strenght of the company and its solidity. It is the mirror of the franchising strategy
Sales Profits	292,864.809\$	5,966.805€	Revenues from the core business
Debt to suppliers	90,724.469\$	2,746.365 €	Debt that can impact negatively the business
Additional Paid in capital	533,607.608\$	4,000.000€	Measure the ability of the company to be autosufficient in making future investments
Rental Income	127,424.534\$	0	Revenues from the rent of franchisees

We already said that the strategies are completely different. Mc Donald's Italia is an autonomous branch of the american mother case, adopting the franchising strategy. Burger King Italy is just a satellite company of the Luxembourgian one, controlling the whole Europe giving less autonomy to the single countries businesses. However, in the comparison it emerges that despite the fact that Burger King is considered the most important competitor for Mc Donald's, its numbers are very far from reaching Mc Donald's. Mc Donald's strategy in

Italy is solid and takes huge profits; Burger King is completely controlled and subdued to the Luxemburgian one and it seems not so evolved and profitable.

Conclusions

The impact of each strategy and its overall contribution to the success of Mc Donald's in Italy

As long as Mc Donald's is a multinational company, the values that drive the business are the same all over the world. They want to be the best fast food in the world, and their values are many; the system is client focused, they care about their employees, they strongly believe in the system, they put ethics in their job, they continuously put effort in improving the business.

We could claim that there exist just one, universal strategy in Mc Donald's : 100% client satisfaction, granting QSPV standards, always and to everybody.

Obviously, this is the means to gain profits. We have seen, however, that most consistent part of the revenues comes from Mc Donald's as holding company, not as fast food restaurant.

Everybody can sell hamburgers and French fries, but the difference among Mc Donald's and its competitors is that Mc Donald's today is the most powerful holding company in the world.

QSPV is not just about the service, it represents the philosophy at the basis of Mc Donald's company.

We can move around the globe, but the strategy remains the same and it has the goal of opening more restaurants as possible.

They claim they think global to act local. The truth is that they penetrate the market thanks to the core products, then offering periodically some products focused on local traditions; those

products arise the customer curiosity, and can take increase in the sales level, but are the core products those driving the success of the company.

We have analysed what the company does in Italy according to some specific aspects.

About the *franchising*, they adopt the same strategy all over the world, according to the laws of the country. The restaurants promote employment and this is recognized all over the countries by some awards achievements. So we can say that Mc Donald's international strategy is the franchising one, that has a deep employment impact in the country.

Then we analysed the *strategic marketing*. Marketing is a very strong tool for the company, it is well studied and planned. It is composed by some international campaigns and some local ones, fitting the necessities of each restaurants. Apart from the national campaign, we can observe that the local one is typical of the country. One example can be the launch of the Mc Italy products; this marketing action represented a strategy purely Italian, in response to a global crisis period. Countries at that time were left free to take some strategic actions to raise the sales level. In this circumstance we can dare to say that marketing has adapted to the Italian peculiarities to survive and to reaffirm its image.

Suppliers strategies is a matter of cutting costs choosing the best possible level of quality.

There are some standards to respect in terms of taste, shape and quality; in each country they try to choose a local supplier to cut logistic costs. So we can say that it is a peculiarity for Mc Donald's to choose a local partners for each branch in the world.

The hottest topic today is *sustainability*. All over the world, the company tries to follow specific standards to respect the environment. So, again, the sustainability strategy is not an Italian peculiarities.

Lastly, we analysed the balance sheet and the income statement of the company in years 2011-2012-2013, comparing them with the one of Burger King. By analysing those data we gave strength and basis to support our study on the strategy of the company in Italy.

The aim of our journey was not only to study and to understand Mc Donald's corporate strategies in Italy, but also and mainly to discover if the success of the Italian branch is due to an adaptation of the company to the Italian peculiarities or if it derives from other factors.

To sum up, the franchising is the same all over the world.

Marketing is the same at international level, but it has some strong peculiarities at local level, increasing the sales level but not in such a determinant way. Sometimes there can be local adaptations.

Suppliers are local partners all over the world, sustainability represents today an achievement to reach all over the world.

They say they think global to act local, but our study shows that this is just partly true; evidence shows that Mc Donald's applies its standards all over the world, making some adjustments, but the concept and the strategy, the products pushing profits are incredibly the same in each country.

It seems as if Mister Ray Kroc, years and years ago, has been able to study a strategic formula resulting winning no matter the country in which it is applied. Of course, each day lots of managers put efforts in keeping this formula alive and winning, but it seems that they are able to do it perfectly.

Perhaps the answer to our study lies in the words of Mister Alessandro Martini,
Franchising manager for Italy :

“For sure the brand Mc Donald’s is the brand Mc Donald’s. It is enough to put an M and we are perfectly recognizable..... so the great story is having a big brand able to get adapted to different countries not only as franchising but also in terms of approach, volunty and another series of factors. It is clear that the core products will remain always the same, at the basis of the business, but even the premium products sell well. We try to diversify, offering for example pasta or salads. We get close to the Italian culinary culture.”

In the interview we had with him he claimed that Mc Donald’s success lies in the core products, no matter the country.

We can conclude our thesis by saying that Mc Donald’s corporate strategies in Italy results mostly the same adopted all over the world; the success lies in its strong organizational structure, attention to details and passion for serving customers giving the best fast food meal experience.

As the Bs and the Is shows, the Italian branch is an autonomous satellite of the mother company; the company is active, health and rich and it operates in Italy following the national rules ; under some crisis periods, thanks to its solidity, the Italian branch can take some peculiar decisions and implement some special local actions. The idea and the matrix of the company is American and standardized, but its strength at local level lies in its stable Italian resources.

The model seems sustainable and for sure it will continue to evolve to survive. Thanks to the combination of strong seeds and flexibility in embracing innovation changes Mc Donald’s can be taken as example of successful and profitable company, both all over the world and inside any specific country.

Bibliography

Personal Experiences:

- Stage as LSM coordinator for a Mc Donald's Licensee
- Trip to EXPO 2015

Books:

- "Mc Italia, il bel paese a tavola e fuori casa", R. Fontanelli, G. Lonardi
- "Retail Management, a strategic approach", B. Berman, J. R. Evans
- "Corporate Strategies", A. Marino
- "Inside Mc Donald's, strategie di branding e influenza sui target di consumo" F. Sposaro
- "I figli di Mc Donald's, la globalizzazione dell'hamburger", P. Ariès

Papers and Articles :

- "Mc Donald's e l'Italia: il nostro presente", Bocconi university
- Interview to Masi, Ballarò
- Slides, Professor A. Fei LUISS Guido Carli

- Slides, Professor C. Amatulli LUISS Guido Carli

Websites:

- www.mcdonalds.it
- www.fipe.it
- www.ilsole24ore.it
- www.cremonini.it
- [Camera di commercio](#)

Interview:

- Alessandro Martini, Franchising Manager Mc Donald's Italia

