

Impact of Covid-19 to Mcdonald's: Its Response and Post-Pandemic Plan

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ABSTRACT

Under the influence of Covid-19, most countries fell into a severe economic crisis. As the world's greatest restaurant chain, McDonald's has adopted measures such as simplified menus and contactless services to overcome this situation. This study aims to investigate the impact of Covid-19 on McDonald's. We used the method of collecting literature to investigate. More data and facts were achieved from the Internet access and reviewing various researchers' case studies, studies, and journals. Besides, this research explains McDonald's response to Covid-19 and plans to control the situation after the pandemic. Through this survey, we can understand the impact of McDonald's strategy, and analyze what plan McDonald's will adopt after the epidemic to increase customer trust, attract consumers, and improve operations performance.

Keywords: Covid-19, Impact, McDonald's, Response, Strategy

INTRODUCTION

McDonald's is a fast-food restaurant industry in the United States. In 1940, it was established by Richard and Morris McDonald in San Bernardino, California. At first, McDonald's was called a hamburger stand. It was subsequently transformed into a franchise and the Golden Arches logo was first appearing in Phoenix, Arizona, in 1953. Ray Kroc, a businessman, coupled the firm as a franchise agent in 1955 and started acquiring the McDonald Brothers franchise. McDonald's was originally based in Oakbrook, Illinois, but in June 2018, the company relocated its worldwide headquarters to Chicago.

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As of 2018, McDonald's is the world's most profitable restaurant business, with 37,855 locations exceeding 100 countries serving beyond 69 million people per day. This company is famous for its hamburgers, cheeseburgers, and fries. They also provide chicken, breakfast meals, soft drinks, milkshakes, wraps, and desserts. It offers salads, fish, smoothies, and fruit in its menu, adapting to shifting consumer preferences and unfavorable reactions to unhealthy cuisine. With 1.7 million workers, McDonald's is the second-largest private company in the world. McDonald's is the ninth most trusted brand as of 2020.

On December 31 in 2019, China informed the World Health Organization of several respiratory diseases in Wuhan, a metropolis of 11 million people. About 40 people were initially believed to have been diagnosed, and China confirmed its first coronavirus fatality on January 11, when a 61-year-old man buying at the Wuhan market died of pneumonia complications. Studies have discovered this new virus as a member of the coronavirus family. Fever, cough, dyspnea, and pneumonia are among the symptoms of the virus, which has been given the preliminary name 2019-nCoV. Over the next several days, nations like Thailand and Japan began reporting cases of illness among visitors to the Wuhan market. Outside of China, a rising number of cases have been documented, notably in South Korea, the US, Nepal, Thailand, Hong Kong, Singapore, Malaysia, and Taiwan.

Companies worldwide are affected by Covid-19 and changes in corporate and consumer behavior (Donthu and Gustafsson, 2020). McDonald's has formulated more stringent food safety measures to guarantee food safety and consumer health and welfare. The fast-service restaurant industry stated that it would utilize more electronic wallets or debit cards in its payment system in March 2020. The customer and employee welfare of McDonald's in Malaysia is their top priority. They solved many difficulties during Covid-19, especially their delivery service.

For its distribution business, McDonald's Malaysia has taken some measures to ensure customers' safety because customers are highly dependent on basic items such as food. McDonald's can use limited resources to meet customer needs (Singh, Kumar, Panchal, and Tiwari, 2020). First, before entering the McDonald's business premises, the riders who put on a mask and accepted the customer's order requested that their hands be disinfected. At the same time, they need to take a temperature measurement to ensure that they do not exceed the specified temperature. Before the food is ready, their takeaway bags and each rider's bag will be disinfected and cleaned by the staff. The platforms where different passengers board the train are isolated. Additional protection mechanisms and society strengthening with the non-contact distribution plan and

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distancing activities have also begun. After the riders arrive at the customer's destination, they will contact the customer and order a meal with the customer. At the same time, to avoid customer contact, they must always keep a certain distance from the customer.

During Covid-19, the government reduced the number of daily wage workers, working hours, and the number of companies in the food and beverage industry, including McDonald's, by 15-30%. They also stated that the results might be gaps between the testing and results reporting process. In addition, Bartik et al. (2020) pointed out that approximately 41.3% of companies choose to close their companies temporarily, and 1.8% of them are permanently closed due to Covid-19. In addition, the number of employees of the company, including McDonald's, fell 32% between January 2020 and March 2020. This means that these companies are facing a financial crisis and have to lay off staff to minimize losses

Porter's strategic positioning statement is based on the assumption that five forces infer the industry's attractiveness. Three of them symbolize direct competition events, especially competition between challenging companies, the risk of new competitors, and the risk of substitutes. The remaining power represents the vertical relationship between the firm and external factors of the organization, such as the authority of the buyer and the supplier. For the interesting feature of the five forces model, using the five forces model in the strategic preparation process at the enterprise level will result in industry formation being largely endogenous. This shows a shared relationship between industry configuration and business activities. Barriers to entry are not linked to specific industry strategies but may be encouraged or challenged by competing for the enterprise. In this way, these five forces can be observed as opportunities and threats in the company's forecast SWOT check (strengths, weaknesses, opportunities, and threats). Resource-driven thinking is often undertaken to review and evaluate industry strategies based on networks, marketing, and how technical skills and mechanisms are disseminated and shared (Porter, 1980).

Therefore, dynamic capabilities affect the enterprise ability to respond effectively based on internal strengths and weaknesses rather than external opportunities and threats. Dynamic capability deals with the development, integration, and reconfiguration of operational capability (Addinna, Prasetyo, & Rufaidah, 2018). It also includes the specific advantages of an enterprise in the face of the changing nature of competitive markets. To be more precise, the measures implemented in response to changing market conditions have focused on the main responsibilities of strategic management, appropriately shaping, merging and re-establishing the positive characteristics of the enterprise (Doole and Lowe, 2008).

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McDonald's has established two major positive aspects. First, its supplier relationships are very important. McDonald's has played a flagship role in building good networks with intermediary productivity providers. Secondly, McDonald's has received many positive evaluations in the supply and distribution process, which has had a positive impact on the customer loyalty programs in the fast-food chain business. Despite its high environmental advantage among its peers, McDonald's continues to regard ambient conditions as a chance to establish a competitive environmental position. McDonald's main goal is to develop a dynamic stance that makes environmental behavior an ongoing concern for the industry, covering all of the company's activities.

The characteristics of McDonald's attractiveness need to change the original network and market formation environment to consider the whole meaning chain, but it may only be able to pass through a new network and normal social environment, and there is even no sustainable strategy that wants to make economic compensation. McDonald's found itself using non-market fundamentals to improve the quality and image of its global distribution system. McDonald's Corporation, for example, has significantly increased the number of recyclable items it puts on its purveyors' boxes and created a market for recyclable items collected at its fast-food chains. Its ultimate goal is to create a delivery service advantage over competitors through a network of advantages that are not market-driven. To be more specific, McDonald's enterprise develops innovation ability in environmental issues based on three aspects, and is encouraged by the environmental protection fund. Environmental issues are considered an important issue in the performance of all McDonald's supply chains. All problem-solving measures that address its obvious difficulties must be strengthened and opposed. Environmental achievement must become a constant concern and, on average, more law-abiding businesses implement it (Vignali, 2001).

Fristedt, Hansson, Hult-Brodin, Rehme, and Sandberg (2010) introduced and described how to manage important SCM features such as joint projects, information sharing, and the sharing of risks and rewards in case studies. Finally, the report points out that saturated markets and the search for economies of scale beyond the primary supplies the chain are challenges for supply chain management in the future. Lee and Rammohan (2013) stated that food inflation in India has put cost pressure on McDonald's. McDonald's had a positive growth plan in 1996, with 240 fast food outlets, and plans more than to double the number of fast-food outlets by 2014. McFly is the largest single purchase, so 100% local supply is critical to avoid high import tariffs. The report describes McDonald's in India and McCann India through agronomy to develop farmer relationships and through value chain innovation to optimize the McFly supply chain and

increase local supply in rapidly growing emerging markets.

Rowley and McMurtrey (2016) concluded that McDonald’s has great advantages in supply chain management. As a global business, they know how to efficiently get food from the farm to the table and make a decent profit. The company has also taken great steps to keep in mind in its actions to promote and enforce corporate responsibility and the respective supplier companies. While there is room for improvement, they are a company with many proactive and positive characteristics worth analyzing and imitating on the global business stage.

RESEARCH METHOD

This paper investigates the impact of Covid-19 on McDonald’s, its responses to the pandemic, and its post-pandemic plan. Qualitative data is used in this study, including data collected from the Internet and online libraries. The researchers would learn how McDonald’s buildS consumer trust, emphasizes better brand development, and ensures customer satisfaction concerning customer delivery through the descriptive data.

RESULTS AND DISCUSSION

Impact of the Pandemic on McDonald’s

In several of its markets worldwide, the McDonald’s chain has been influenced by the coronavirus epidemic. McDonald’s had modified its “risk factors” to highlight the current pandemic’s implications. The company said that service reductions or store closures due to Covid-19 in its filing. Depending on its duration and severity, such an impact may have a significant impact on its financial performance, position, and prospects. In the meantime, it is collaborating with franchisees all across the globe to “assess operational viability and support financial liquidity.” Such financial support may include deferring rent paid by franchisees to the company.

Table 1. Consolidated Statement of Income Data

Consolidated Statement of Income Data (In millions)	2019	2020

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Sales by Company-operated restaurants	\$ 9,421	\$ 8,139
Total revenues	\$21,365	\$19,208
Operating income	\$9,070	\$7,374
Net income	\$6,025	\$4,731

Source: Annual Report McDonald's 2020

Sales

Due to Covid-19, sales in the International Operated Markets and International Developmental Licensed Markets divisions decreased by 10% in 2020. Covid-19 has resulted in significant government limits on restaurant operation hours, restricted dine-in capacity in most countries, and, in certain cases, forced dining room closures, especially in the International Operated Markets. The majority of the company's significant international markets, specifically those with fewer drive-thru restaurants, would be affected by those limitations extended until 2021. As long as the pandemic persists, the company expects some constraints in various areas.

Revenue

McDonald's mood score dropped 10.5% in the fourth quarter of 2020, largely due to the resurgence of a new pandemic. From the perspective of McDonald's corporate asset positioning, McDonald's revenue fell sharply during Covid-19. The decline was due to limited operations, restaurant closures, and sharp changes in consumer demand and behavior as a result of the outbreak of the pandemic. All restaurants that have opened since then are take-out delivery or drive-thru only. The company could not generate enough revenue from its operations to cover all its costs. A company's "total liabilities" have increased significantly over several quarters compared to its "total assets." A higher amount of debt indicates that a company cannot repay all its debts with the assets it owns. As a result, McDonald's is looking to shrink its franchises to reduce its debt in these uncertain times.

Operating Income

In 2020, operating income decreased by 23% because of the pandemic. As a result of Covid-19, the operating income of international operated markets decreased, representing a sales drop: approximately \$100 million of brand awareness to speed restoration and stimulate growth, overall Covid-19 company cooperation expenses largely for employee-related costs; relatively low benefits on restaurant business sales, mainly in the United Kingdom; greater restaurant closing costs; lower equity in earnings from unconsolidated affiliates; and \$23 million of payments to dilutive shareholders.

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Net income

Net income decreases to 4.7 billion in 2020 as a result of Covid-19. The industry has managed to take the advice of professionals in the field of health to guarantee that the necessary precautions are in place to ensure employees' and customers' health and safety. During the outbreak, due to the restrictions, most individuals decided to stay at home and go out less, resulting in fewer visits to McDonald's. Fewer people also folks using the delivery apps because they lack the skills to access the delivery apps.

Consumer Behavior

Starting in early 2020, Covid-19 has altered global health, economic dynamics, customer behavior, and McDonald's multinational fast food activities. Consumer behavior has changed and may continue to change due to local and national government regulations or recommendations and public perceptions of the hazards connected with the Covid-19 epidemic, which negatively impact the company. The health pandemic negatively impacted consumer expenditure and trust, supplier availability and prices, and local businesses in affected regions, which can affect the financial performances, status, and direction. Furthermore, the worldwide operations have been affected to varying degrees, ranging from restricted operations such as drive-thru, delivery, and take-away, with limited periods, choices, and abilities, to complete restaurant closures in some regions.

In 2021, McDonald's revenue surpassed pre-pandemic levels, helped by a strong recovery in the US. McDonald's continues to take the recommendation of specialists in public health to ensure proper precautions are implemented for the safety and health of employees and clients. Due to the reappearance of Covid-19, McDonald's reported that the first quarter of 2021 was defined by several government limitations on dining times, ability to consume, and in certain circumstances, forced store closures, especially in areas where it operates globally. The fast-food giant raised its forecast for system-wide sales growth after strong results. One menu item, featuring chicken, helped drive sales this quarter. Outside the US, results have been mixed. Same-store sales rose 0.6% in the segment of the international operating market that includes the United Kingdom, Australia, and France. Meanwhile, Covid-19 restrictions weighed on France and Germany, while Canada, the UK, and Australia reported positive same-store sales growth.

Crisis Response

It is vital to ensure the restaurants operate safely during the pandemic. During the pandemic, McDonald's had followed the guidelines from the Centers for Disease Control and Prevention and the World Health Organization and guidance from health ministries in the majority of the countries to operate. They collaborated with franchisees all across

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the world to assess operating feasibility, adjust, and serve clients continuously where it was safe. Nearly 75% of the restaurants are still open during the pandemic by providing the drive-thru, delivery, and takeout services.

Assisting communities in getting the help they need. McDonald's global system took action to facilitate communities in meeting their fundamental necessities. For example, in Malaysia, McDonald's supplied about 63 thousand McDonald's lunches to healthcare personnel throughout Malaysia as an expression of thanks for their bravery and devotion during tough circumstances. Besides, McDonald's also had pledged assistance for truckers around the nation and a \$1 million donation to the Illinois Covid-19 Response Fund, guaranteeing non-profits in our home country receive the goods they require at these difficult times.

To assure its supply chain is never disrupted, McDonald's always prepares for natural catastrophes and facility closures the time. They worked promptly to expand the beef supply chain in the United States during the pandemic, taking on new local producers and acquiring extra goods from throughout the world when necessary. Due to the pandemic's resilience and forward-thinking strategy, they were able to supply a regular, critical source of food to communities experiencing significant food insecurity due to school closures and rising unemployment. For example, through GFN partners of Food Cycle in Jakarta and Scholars of Sustenance in Bali, the McDonald's team in Indonesia gave numerous pallets of frozen meat and cakes to families. This was especially beneficial to the Bali community, which has suffered greatly due to the population's reliance on tourism.

Post-Pandemic Planning

McDonald's has released a new initiative to connect with and nurture communities. The firm is focusing on its position and commitment to the community, which it has serviced for over 65 years. By concentrating on the four relevant areas most to the community, which were wisely sourcing high quality, promoting environmental precautions to secure the earth, linking with the community when needed, and reinforcing its emphasis on equity by offering incentives for restaurant employees, the industry expects to get a significant effect via action and interaction.

Customers are loyal to support their favorite brand if the company can promote various products and services they prefer. When McDonald's plans to "feed and nurture communities" to establish a comprehensive orientation for its approach and its engagement with customers, it will unleash the power of the brand itself as a driver of growth. The firm needs to focus on better marketing strategies to retain old customers

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and attract new customers during the pandemic. In the current economy, affordability is equally crucial, and it maintains a fundamental of the McDonald's brand. The organization is dedicated to providing the proper pricing and product mix so that consumers can get something out of their purchases throughout each level of the menu. Lastly, McDonald's will roll out amazing new designs around the world to unify the brand in the global market.

McDonald's turnaround strategy is based on an unrelenting focus on running top-notch restaurants and the employees who empower them. To run a good restaurant, McDonald's applied a double down on 3D: digital, delivery, and drive-thru. McDonald's remains committed to improving operational efficiency and the customer experience. In addition, the industry has established stricter discipline in how it operates its restaurants to meet the needs of safety, hygiene, and customer trust.

Concentrating on the expected financial results is of importance. Because of the Covid-19 epidemic and its revival, countries across the globe are still dealing with economic instability, government restrictions, and consumer attitudes. As a result of the prolonged uncertainty, the company is expected to examine its financial forecasts on a regular schedule and stay updated as needed.

Decision-Making During the Epidemic

Motivating the leadership team to achieve quicker and effective choices is an element of McDonald's approach to the pandemic. McDonald's has built an elastic methodology and team organization to facilitate effective decisions to respond to rapidly changing information and changing advice. Sub-groups focused on specific business areas bring their solutions; Another group works with third-party specialists to give continuing advice and knowledge of evolving research in standard precautions and discuss best practices for preventing the Covid-19 spread.

Applying statistics and comments to develop faith and credibility in restaurants and workplaces will also give some benefits. Integrated decision-making is the basis of security operating processes for McDonald's workers. The company created a new province headquarters, although its open idea necessitated the creation of an executive toolkit by cross-functional groups from human resource, law, global security, and other departments to handle numerous elements of public conceptual design for working during Covid-19.

The epidemic has forced McDonald's, along with many other corporations, to reconsider its thoughts on post-pandemic business employment and accelerate employee support

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before and after a pandemic. Companies' flexibility before the Covid-19 crisis formed a strong platform for modifying working circumstances and offering the greatest possible assistance to employees.

As of now, it will take a long time for Covid-19 to come to an end. Therefore, McDonald's should focus on in-market strategies to increase sales and revenue. They can develop new products to attract customers to come and buy them. In addition to this, they could also organize monthly discounts or free shipping campaigns. This will encourage people to use the takeaway platform to order food at home and avoid infections.

Due to the lockdown situation, everything is conducted online. McDonald's should put more force on the event online such as promoting products through social media, organizing voucher promotions in Shopee or Lazada, and gathering customers' preferences through surveys online.

CONCLUSION

We concluded that McDonald's has demonstrated an efficient response to the coronavirus pandemic. The adoption of a wide range of pre-pandemic and post-pandemic measures has added more to the company's performance. The strategic business measures adopted by the firm, including contactless services, simplified menus, integrated decision making, faster response times to customer needs, higher levels of operational management and efficiency, in addition to an emphasis on safety measures, discipline, and other related measures have added to the excellence of the organization. It is also evident how adopting these measures has allowed the company to prepare for its future pandemic response. The company is also using specialized information systems to gather more information regarding customer needs and perceptions. It is thus apparent that the adoption of specialized and integrated decision-making measures and customer-centric strategies will contribute to the organization's excellence. Based on the aforementioned analysis, it is also recommended that the company emphasize higher levels of marketing, emphasis on superior financial performance, and expectations along higher levels of economic stability to achieve desirable results and outcomes. McDonald's also needs to pursue business excellence through calculated moves focused on providing more safety and superior hygiene to its customers.

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