



THE MARKET

Dining out has always been a popular social activity. These days, it's part of everyday life that many of us take for granted. However, it's easy to forget that a meal in a restaurant was once an occasional indulgence enjoyed by a privileged few. The popular food service revolution of the last 50 years changed all that.

Today, people of all ages and backgrounds throughout the world dine out every day. In fact, 8 per cent of all meals in Australia are eaten away from home, and McDonald's serves more than one million customers every day across the nation.

ACHIEVEMENTS

McDonald's is the world's leading and fastest-growing food service organisation in 120 countries on six continents. McDonald's operates more than 25,000 restaurants worldwide and generated over \$40 billion in system-wide sales for the first time in the year 2000.

Few other brands can match McDonald's for the power and ubiquity embodied in the company's familiar Golden Arches. McDonald's has been rated the world's greatest brand, in a study published by leading international brand consultancy Interbrand. The study reviewed the performance of the world's leading brands and assessed each one for its strength as a marketing and financial asset.

Interbrand concluded: "Nothing compares with McDonald's for the power of a branding idea, the skill of its execution, and the longevity and width of its appeal. McDonald's has travelled the world on the strength of two quite distinct phenomena - one cultural, the other commercial".

McDonald's has become a citizen of the world and is committed to being a good corporate citizen. Ronald McDonald House Charities (RMHC) has awarded more than \$250 million in grants to children's programs worldwide since 1984. The cornerstone of RMHC is the Ronald McDonald House program, which provides "homes-away-from-home" for families of seriously ill children being treated at nearby hospitals.

The first Ronald McDonald House in Australia opened in 1981 at Camperdown in Sydney, near the Royal Alexandra Hospital for Children. 20 years later there are ten Ronald McDonald Houses in Australia, with another one to be built in Townsville and a holiday retreat in Batemans Bay.

HISTORY

The McDonald's story began 47 years ago in San Bernadino, California. Ray Kroc was a salesman supplying milkshake multi-mixers to a drive-in restaurant run by two brothers, Dick and Mac McDonald.

Kroc, calculating from his own figures that the restaurant must be selling over 2,000 milkshakes a month, was intrigued to know more about the secret behind the success of the brothers' thriving business.

He visited the restaurant, which promised its customers "Speedee Service" and watched in awe as restaurant staff filled orders for fifteen-cent hamburgers with fries and shakes every fifteen seconds.

Kroc saw the massive potential and the McDonald brothers accepted his offer to become their first franchisee. On April 15, 1955, he opened his first McDonald's restaurant in Des Plaines, a suburb just north of Chicago.

McDonald's served more than 100 million hamburgers within its first three years of trading and the 100th McDonald's restaurant opened in 1959. In 1961 Kroc paid \$2.7 million to buy out the McDonald brothers' interest, and in 1963 the billionth McDonald's hamburger was served live on prime-time TV.

McDonald's Australia opened its first restaurant in December 1971 at Yagoona, and served 3,000 customers a month. Today there are well over 700 restaurants throughout Australia, serving more than one million customers a day. McDonald's employs more than 55,000 people in Australia and

injects \$120 million in capital expenditure.

The opening of a McDonald's restaurant creates up to 100 new jobs in a local area. It also creates many opportunities for the local construction and building industry, stimulating the growth of numerous small businesses through sub-contracting relationships with McDonald's.

The impact of McDonald's can be seen in the



evolution of industries from agriculture to equipment. Businesses across Australia are benefiting from McDonald's growth and success, from the potato farmer in Tasmania to the companies that helped create a state-of-the-art beef processing plant in Queensland.

THE PRODUCT

From its early roots as a small, family-run hamburger restaurant, McDonald's has evolved into a multi-billion dollar quick service restaurant industry. While hamburgers and fries remain the mainstay of McDonald's business, an instinctive ability to anticipate and fulfil consumer needs has been central to McDonald's success.

A prime example of this approach is the Filet-O-Fish sandwich, which was conceived by Lou Groen, a Cincinnati-based franchisee in a predominantly Catholic area. Groen noticed that his business was negatively impacted on Fridays, which was then a day of abstinence from meat for many Catholics. He developed a fish-based product to meet the needs of the local community. The Filet-O-Fish sandwich was launched in 1963 and went on to become a popular menu item in many of McDonald's international markets.

Another franchisee - Jim Deligatti from Pittsburgh - was responsible in 1968 for the creation of McDonald's most successful



menu item ever, the Big Mac sandwich. Nine years later, the same franchisee was the driving force behind the development of McDonald's breakfast menu, a move that would change the breakfast habits of millions of people.

In Australia, the McOz burger originated from a group of licensees from northern NSW. Today the popular McOz burger is now a permanent menu item.

Innovation has played an important part in McDonald's growth. The company has invested heavily in technology to continually improve the consumer experience at McDonald's. One of the biggest breakthroughs came in 1975 with the opening of the first drive-thru restaurant in Sierra Vista, Arizona. Once again, the idea sprang from the need to solve a local sales problem when servicemen from a nearby Army base were forbidden to get out of their cars in military fatigues.

The drive-thru concept was an immediate success. Today, drive-thru accounts for more than half of McDonald's business in Australia.

McCafe was the first of its kind in the world when it was introduced into the Swanston Street McDonald's in Victoria in 1993. The McCafe concept was designed and created by McDonald's Australian representatives. Today there are about 50 McCafes across Australia and they are operating in countries like Japan, France, Austria and New Zealand.

McDonald's serves its customers top-quality food. The best raw ingredients are purchased from long-time suppliers. Food is prepared to a consistently high standard in the restaurant. McDonald's menu is continually reviewed and enhanced to ensure that it meets and, wherever possible, exceeds customer expectations.

In Australia, McDonald's menu includes beef, chicken and fish as well as a full range of desserts, shakes, and hot and cold drinks for every taste.

RECENT DEVELOPMENTS

McDonald's was the first quick-service restaurant to make publicly available a complete ingredient listing and detailed nutritional analysis of all its products. In 2001, McDonald's Australia launched its New Tastes Menu, the biggest change in food direction for McDonald's in 30 years. It gives customers greater choice by offering new, great tasting food on an ongoing basis. McDonald's is working on a group of products that will make their way onto the New Tastes Menu on a rotational basis.

They could include Shaker Salads, Fruit Parfaits, fish n' chips and pies as



well as tastes of Italy and Thailand.

Customers will be instrumental in determining what will be served at McDonald's restaurants in the future.

PROMOTION

From the earliest days, McDonald's recognised the key role of marketing in the brand-building process. As Ray Kroc put it: "There's something just as basic to our success as the hamburger. That something is marketing, McDonald's style. It's bigger than any person or product bearing the McDonald's name."

Advertising is certainly not the only cause of McDonald's success. It is, however, inseparable from it. To this day, a fixed proportion of restaurant sales is reinvested back into advertising and sales promotion in every market in which McDonald's operates.

McDonald's displays a rare ability to act like a retailer while thinking like a brand, delivering sales for the immediate present while building and protecting its long-term brand reputation. Television advertising has been instrumental in transforming McDonald's brand image from that of a multi-national corporation to part of the fabric of society. Through high profile brand advertising, McDonald's has developed a powerful emotional relationship with its customers based on trust and a fundamental warmth and humanity unmatched by its competitors.

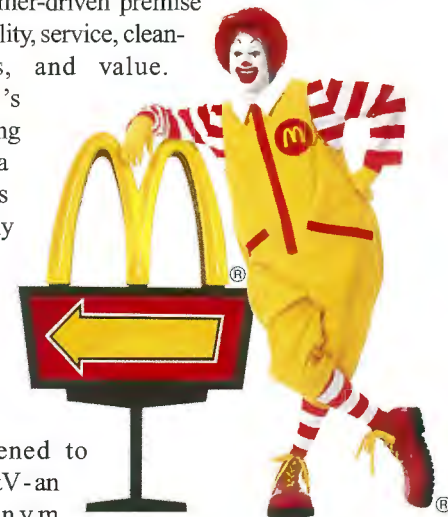
McDonald's is also involved in sports sponsorship, using its association with prestigious global sporting events such as the World Cup and Olympic Games to reinforce its international brand stature. Tailor-made sponsorship programs are used to address local market needs. In addition

to national advertising and promotional campaigns, McDonald's is strongly committed to Ray Kroc's passionate belief that McDonald's should contribute to the communities that it serves. Local activity takes many different forms, ranging from social mornings for senior citizens to fundraising work with local schools, youth groups, and hospitals.

BRAND VALUES

Founder Ray Kroc developed his brand vision for McDonald's around a simple but effective consumer-driven premise of quality, service, cleanliness, and value.

Kroc's winning formula was quickly



shortened to QSC&V - an acronym

that would become and remain an enduring cornerstone of the brand.

If QSC&V is the cornerstone of the McDonald's brand, then trust is its bedrock. To its customers, McDonald's is a brand that can be trusted; placing the customer at the centre of its world; knowing the right thing to do.

The key to McDonald's success has been its capacity to touch universal consumer needs with such consistency that the essence of the brand has always been relevant to the local culture, no matter how different that culture might be from McDonald's origins. With one of the most powerful brands in the business, McDonald's looks set to enjoy healthy growth long into the future.



THINGS YOU DIDN'T KNOW ABOUT McDONALD'S

- On average, McDonald's opens a new restaurant every four hours.
- The sun never sets on the Golden Arches. The most northerly McDonald's is right on the Arctic Circle in Rovaniemi, Finland, while the southernmost is in Invercargill, New Zealand.
- Every day, McDonald's serves 45 million customers, but on any one day, even as the industry leader, McDonald's still serves less than one per cent of the world's population.
- McDonald's has sold well over 100 billion hamburgers.
- Nearly two and a half million people work for McDonald's.
- More than 5000 people lined up for a burger on a freezing midnight when McDonald's opened its first restaurant in Minsk, Belarus - its 100th country.