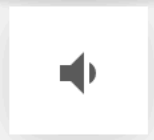


McDonald's Corporation



Monday, November 4, 2019, 5:48 am. Chris Kempczinski walks into the new corporate headquarters for McDonald's located in the trendy west-loop section of downtown Chicago. This is his first day as the newly appointed CEO of McDonald's. Less than 24 hours ago, McDonald's board of directors announced the termination of his predecessor Steve Easterbrook with immediate effect after disclosure of a relationship with a staff member in violation of company policy.

McDonald's nine-story building is modern and symbolizes the company's future, not its suburban past. With open workspaces, modular furniture, and floor-to-ceiling glass, it looks more like a WeWork location than a stodgy corporate headquarters. Yet, there is also an operational efficiency to the place; each level has a specific purpose, ranging from a live restaurant on the ground floor with menu items from Australia, Hong Kong, and France, to the test kitchens used for new product development, to the famous training facility for managers called Hamburger University.

Just four years ago, Chris Kempczinski had joined McDonald's to be part of its global strategy team after leaving Kraft Foods. Just six months prior, in the spring of 2015, his predecessor Steve Easterbrook was appointed CEO of McDonald's. Easterbrook had promoted Kempczinski to president of McDonald's USA in October 2016. Jointly, they had worked hard to turn McDonald's around.

As Chris Kempczinski pushed the elevator button to the CEO suite, he reflected on his last four years with McDonald's. In many ways, 2015 was the low point. Customers were confused by the complex menu offerings, distrustful of the quality of ingredients, frustrated at how long it took to get their food, and angry at the company's "exploitative" labor policies.^{1,2} According to analysts, "[then-CEO Thompson] got fatally behind the last couple of years" and "wasn't inspiring people the way he needed to be."³ The financial results painted the same picture. Net income in 2015 was at \$4.53 billion, representing the company's second annual drop in "same-store" sales since 2002.⁴

By early 2015, McDonald's shares had dropped below their 2012 price point, while the overall market was up by 50 percent. Yet, with some \$21 billion in sales (in 2019) and some 45,000 restaurants globally (thereof 27,000 in the United States), McDonald's remains the largest quick-service restaurant (QSR) chain.

Chris knew that early results from the strategic initiatives that Easterbrook and he put in place were promising. As of the of fall 2019, McDonald's (normalized) share price had appreciated roughly double since March 2015, outperforming the Dow Jones Industrial index. However, traffic to restaurants in the United States continued to stagnate ([Exhibits 1](#) and [2](#)). Things were moving fast ... Chris Kempczinski sat down in the corner office, booting up his laptop, and took a sip from a low-calorie Monster energy drink. He had a busy ahead of him. . .

EXHIBIT 1 McDonald's (Normalized) Stock Performance vis-à-vis S&P 500 Index under Steve Easterbrook (CEO, March 1, 2015–November 1, 2019).

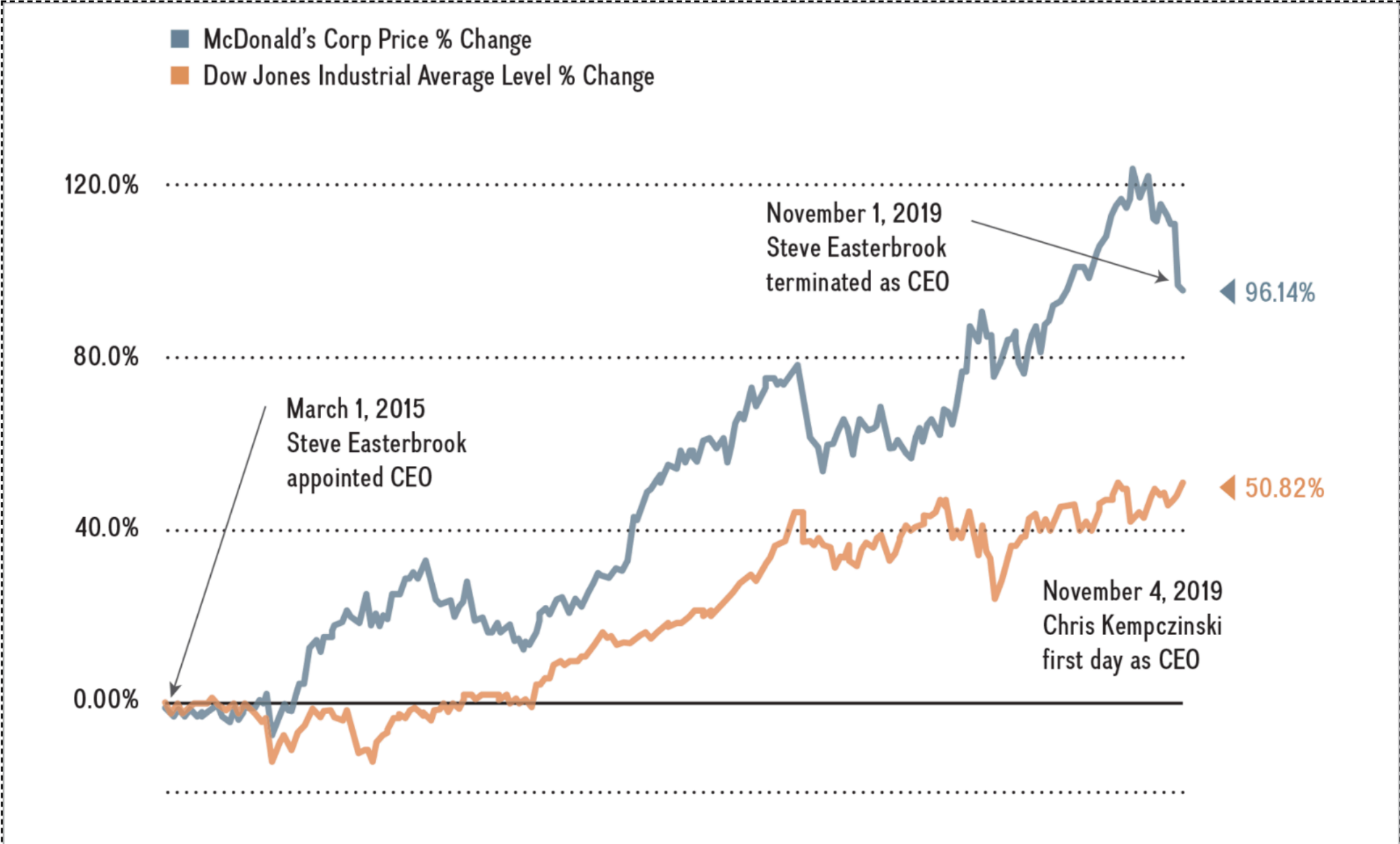


EXHIBIT 2 McDonald's Financial Data (\$ millions, except EPS data), 2014-2018

Fiscal Year	2012	2013	2014	2015	2016
Cash and short-term investments	2,336	2,799	2,078	7,686	1,223
Receivables (total)	1,375	1,320	1,214	1,299	1,474
Inventories (total)	122	124	110	100	59
Property, plant, and equipment (net total)	24,677	25,747	24,558	23,118	21,258
Depreciation, depletion, and amortization (accumulated)	13,814	14,608	14,569	14,575	13,186
Assets (total)	35,387	36,626	34,281	37,939	31,024
Accounts payable (trade)	1,142	1,086	860	875	756
Long-term debt	13,633	14,130	14,990	24,122	25,879
Liabilities (total)	20,093	20,617	21,428	30,851	33,228
Stockholders' equity (total)	15,294	16,010	12,853	7,088	-2,204
Sales (net)	27,567	28,106	27,441	25,413	24,622
Cost of goods sold	15,349	15,704	15,446	14,186	13,027
Selling, general, and administrative expense	2,455	2,386	2,488	2,434	2,385
Income taxes	2,614	2,619	2,614	2,026	2,180
Income before extraordinary items	5,465	5,586	4,758	4,529	4,687
Net income (loss)	5,465	5,586	4,758	4,529	4,687
Earnings per share (basic) excluding extraordinary items	5.41	5.59	4.85	4.82	5.49
Earnings per share (diluted) excluding extraordinary items	5.36	5.55	4.82	4.80	5.44

Source: McDonald's Annual Reports (various years).

A Brief History of McDonald's (1940–2002)

McDonald's was started by the McDonald brothers in 1940 in San Bernardino, California.⁵ By limiting the menu to burgers, fries, and drinks, Dick and Mac McDonald could emphasize quality and streamline their operations, resulting in a value-for-money menu. As a result, the popularity of the restaurant grew quickly, and the brothers started franchising McDonald's to nearby locations. Alerted to their success when the McDonalds placed a large order for eight multi-mixers, Ray Kroc joined the brothers in 1954. Together, they founded the McDonald's Corporation in 1955, with the vision of establishing McDonald's franchises throughout the United States. Kroc bought out the brothers' shares in 1961, the same year that he founded the Hamburger University (graduates receive a bachelor's degree in Hamburgerology). He continued his plans for rapid expansion throughout the 1960s and 1970s, establishing more than 700 new McDonald's restaurants. In 1965, the company held its first public offering, debuting at \$22.50 per share.

The company opened its first international locations in 1967 in Canada. The first McDonald's stores in Japan and Europe followed shortly thereafter in 1971. Meanwhile, Kroc continued to add new items to the restaurant's menu. After the success of the Big Mac® (1968), the Quarter Pounder® debuted in 1973, and the Egg McMuffin® in 1975. A full breakfast menu was available by 1977. The first Happy Meals® arrived in 1979. The company's first drive-through opened in Sierra Vista, Arizona in 1975 to serve soldiers stationed at a nearby post, and the idea quickly spread to other locations. Competition heated up in the "burger wars" of the 1980s as Burger King and Wendy's tried to steal market share from McDonald's. Despite their advances, McDonald's continued to expand globally into more than 30 countries. Even more new products were introduced, such as Chicken McNuggets® in 1983 and fresh salads in 1987. At the same time, McDonald's used efficiency and technological advances such as microwaves to gain operational advantages over its competitors.

McDonald's diversified into different restaurant chains such as Chipotle Mexican Grill, Donatos Pizza, Boston Market, and Aroma Café coffee shops.⁶ These acquisitions were later divested when McDonald's strategy shifted yet again in the early 2000s.

From 2003 to 2004, leadership at McDonald's underwent a rapid string of CEO successions (due to untimely deaths) that would have crippled a company with a less talented executive bench. In 2004, Jim Skinner, previously the vice chairman in charge of introducing and implementing the company's "Plan to Win," was appointed CEO.⁷

In a saturated market, the main thrust of Skinner's plan was to shift from acquiring real estate to generating increased sales from existing restaurants.⁸ In the early 2000s, McDonald's was opening a new store somewhere in the world every 4.5 hours; under Skinner's watch, the pace slowed to just 50 to 100 new U.S. sites per year. To compensate, existing stores started to stay open longer, extending their hours into the late night and early morning. By 2007, roughly 40 percent of McDonald's' locations were open nonstop, and some even experimented with staying open on holidays.^{9,10}

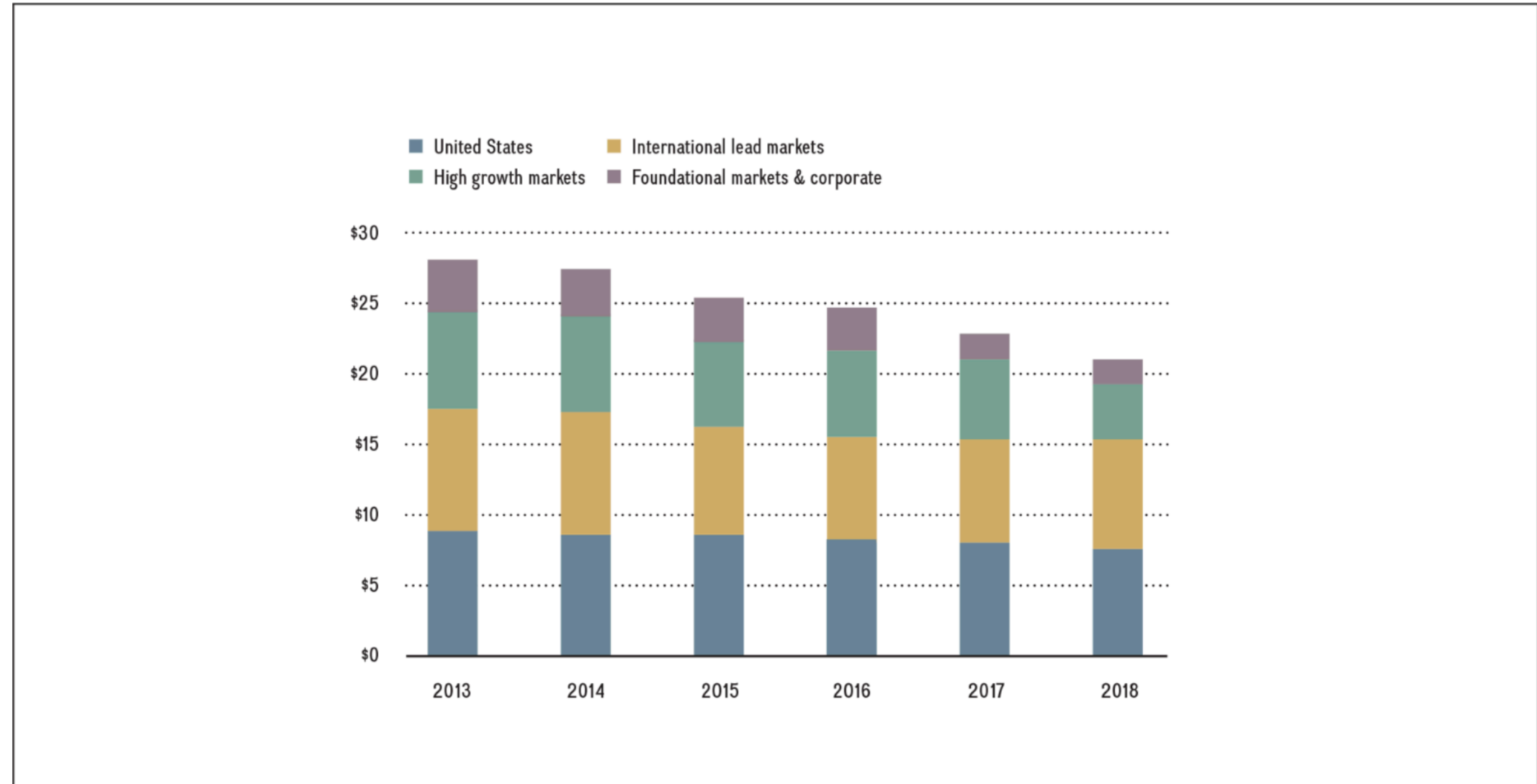
Skinner used the money saved on fewer new openings to revamp existing restaurants. The "new" McDonald's look utilized a gentler color scheme, replaced fiberglass and steel chairs with leather seating, eliminated fluorescent lighting, and added such amenities as flat-screen TVs, free Wi-Fi, live plants, piped-in music, and the occasional fireplace.¹¹ Headquarters provided grants of up to \$600,000 per site, with some projects costing as much as \$1.5 million.¹² By the time all of the renovations were completed, the company had invested over \$1 billion in upgrading its stores. Skinner also refocused the company on cost cutting by improving operational efficiency, with the help of Don Thompson, McDonald's COO. In this role, Thompson spearheaded the successful McCafé campaign and seemed a natural selection to produce the next "McHit."¹³

By the time Don Thompson became CEO in 2012, most of the low-hanging fruit had already been plucked. Thompson graduated from Purdue University with a degree in electrical engineering, and was recruited to McDonald's to design robotics for food transport and control circuits for cooking equipment. His career focus changed from engineering to operations, working a wide range of jobs from fry cook to regional manager to understand the company's day-to-day activities.¹⁴ McDonald's struggled with weakening sales under Thompson's reign (see [Exhibit 2](#)) despite his efforts to optimize the menu, improve the customer experience, and make McDonald's more accessible to a broader market base. Unable to produce the desired turnaround, Thompson retired in January 2015 to make room for new leadership.¹⁵

McDonald's Leadership (since 2015)

Hailing from the United Kingdom, Steve Easterbrook was appointed as the CEO of McDonald's on March 1, 2015. Easterbrook came to the top spot having turned around the McDonald's UK and European operations, which were now among the best performing in the company. He had worked his way up to McDonald's top brand officer by 2010, then left to head two British restaurants (PizzaExpress Ltd. and Wagamama Ltd.), before returning to his former position in June 2013. Under Thompson, he subsequently assumed responsibility for corporate strategy and the restaurant solutions group. [Exhibit 3](#) shows McDonald's' revenues by regions and market segments, (2013–2018).

EXHIBIT 3 McDonald's Revenues by Regions and Market Segments, 2013–2018*, x





* Includes sales for both, franchised and company-owned restaurants.

^ International lead markets: Established markets, including Australia, Canada, France, Germany, the U.K., among others.

High growth markets: markets with relatively higher restaurant expansion and franchising potential, including China, Italy, Korea, Poland, Russia, Spain, Switzerland, the Netherlands, among others.

Foundational markets & corporate: Remaining markets, each operating largely under the franchised model, including corporate activities.

Source: Depiction of data in McDonald’s Annual Reports (various years).

Given his low-key profile, observers were surprised when Steve Easterbrook also announced that McDonald’s would move its headquarters from Oak Brook, where it resided in a custom-built campus for some four decades, to Chicago’s West Town neighborhood in 2018.

Easterbrook explained that McDonald’s HQ was moving to be closer to the millennials they want as employees and as customers.¹⁶

In November 2019, Easterbrook was terminated by McDonald’s board of directors after a relationship with a staff member in violation of company policy. The board appointed Chris Kempczinski as new CEO; previously serving as president of McDonald’s USA since the fall of 2016.

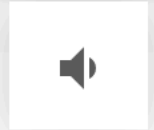
Strategic Initiatives since 2015

In 2015, then-CEO Easterbrook announced a turnaround plan to “reset and rebuild the business” with three priorities: driving operational growth, returning the brand excitement, and unlocking financial value. The company started refranchising its operations in an effort to drive more local accountability, ownership, and connection with the customer.¹⁷ With more vibrant local marketing and tighter operations, the franchisees would be more likely to win the customers’ attention and wallet share. Easterbrook also streamlined the management structure, reducing the number of people in the chain of command to the CEO and flattening the organization.¹⁸

After initial gains and signs of improving profitability, McDonald’s launched the Velocity Growth Plan in 2017 focused on the Experience of the Future (EOTF), digital, and delivery:¹⁹

- **Digital:** Re-shaping our interactions with the customer—whether they eat in, take out, drive through, or order delivery.
- **Delivery:** Bringing the McDonald’s experience to more customers—in their homes, their dorm rooms, their workplaces, and beyond.
- **Experience of the Future in the United States:** Elevating the customer experience in the restaurants through technology and the restaurant teams who bring it to life.

This strategic initiative was an aggressive technology upgrade to allow Starbucks-like interactivity to both smooth out operational waiting times and improve the customer experience. Initially, franchisees were hesitant to invest the hundreds of thousands of dollars required to upgrade with stand-alone kiosks, but they were bound by stringent franchising contracts and pressure from corporate headquarters. Initial signs have been promising with 8,500 restaurants outfitted with the EOTF (Experience of the Future) kiosks where customers place orders for themselves. In Australia, and several other European markets where labor costs are generally higher than in the United States, over 40 percent of the in-store customers order from the kiosks.²⁰



McDonald's Business Model

McDonald's both owns and operates its own restaurants, as well as franchises them to others. The large majority of restaurants are franchised (85 percent), and McDonald's management has made it clear they expect that percentage to increase to 95 percent in the coming years.

There are three primary franchise ownership structures: 1) conventional franchisee, 2) developmental license, and 3) affiliates. The specific conditions of the franchise agreement vary on the owner's experience, credit capacity, and the local legal environment. Franchisees can also vary considerably in size. The largest franchisee has a developmental license for 2,200 restaurants across Latin America and the Caribbean.²¹ On the other end of the spectrum, some franchisees own and operate a single location.

Under a *conventional franchise* agreement, the company typically owns the land and building, and leases the location to the franchisee. The franchisee pays for "equipment, signs, seating and décor." As the equipment depreciates or new facilities or food preparation processes are required, the franchisee is expected to reinvest in the business. McDonald's also co-invests into specific strategic initiatives to motivate franchisees to adopt changes. Franchisees pay rent and royalties based on a percentage of sales, with specific minimum rent payments and initial fees paid upon opening a new restaurant or acquiring a new franchise. The typical franchisee lease is for 20 years.

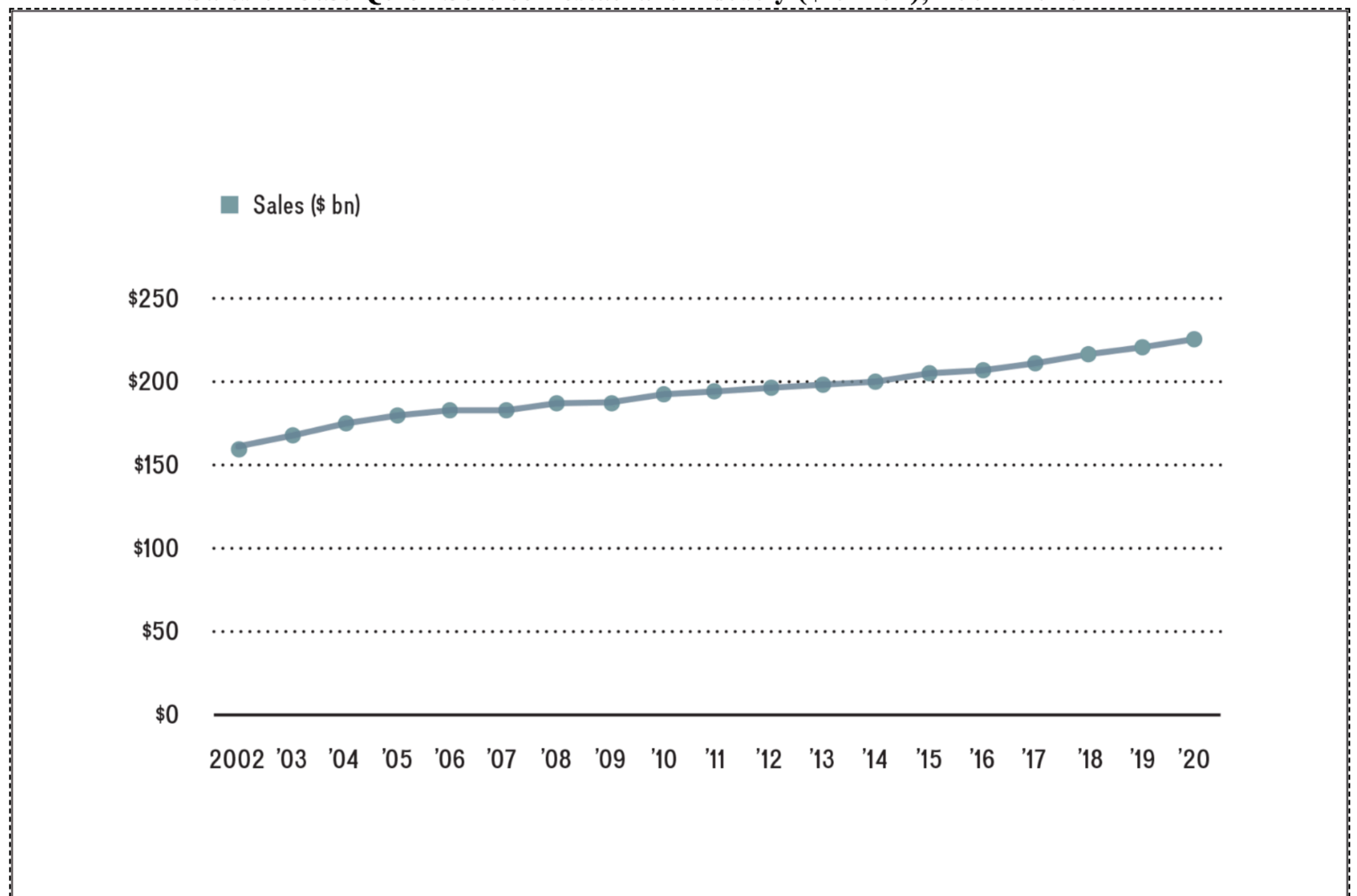
Under a *developmental license*, McDonald's does not contribute any capital. The company receives a royalty based on sale. This is often a broader franchising license given to larger organizations who might have the right to develop in a specific country, or a region of a country.

Under the *affiliate* structure, McDonald's owns equity in a foreign entity, earns a royalty based on sale (like a developmental license), but records its share of net results in equity of earnings. The largest affiliate is in Japan, where they have 3,000 restaurants.

Trends in the Quick-Service Restaurant Industry

The U.S. quick-service restaurant industry is expected to reach \$224 billion in 2020 (see [Exhibit 4](#)). Yet despite expectations for growth, several trends suggest challenges ahead.

EXHIBIT 4 Sales of U.S. Quick Service Restaurant Industry (\$ billion), 2002–2020*



Economic Trends

The U.S. economy continues to be strong, despite some headwinds such as an inverted yield curve²² and continued trade tensions between the United States and China. In 2019, the tenth year of economic expansion, the unemployment rate in the United States was the lowest it has been in 50 years, while the stock markets reached record levels. These data present both good and bad news for the fast food industry. On the one hand, more customers are working and have more money to eat out; on the other hand, customers with more disposable income are likely to “trade up” to higher quality and higher priced food options. Recent data on dining trends bear this out: For the first time ever, American spending on dining out exceeded grocery sales in April 2015. Yet at the same time, competition over “customer visits” is heating up in the fast food industry. Easterbrook said on a recent conference call, “While the absolute customer counts may stay more or less constant, customers have not been visiting us as often as they were historically.”²³

A closer look, however, reveals key differences among market segments. Older consumers (51 to 69 years of age) reported spending more on groceries and less on restaurant dining compared to recent years. The overall upward trend is due to the vast number of Millennials who view dining out as a social event and are more willing to pay for food outside of home. According to the Restaurant Association, Millennials tend to favor quick service, deli, and pizza joints over more traditional casual and high-end dining; ethnic foods are also viewed as new and interesting.²⁴

Health Trends

Health concerns are an increasingly potent threat for fast food restaurants. Some estimates peg the global obesity epidemic costs \$2 trillion per year in health care costs, a figure roughly equivalent to Russia’s gross domestic product.²⁵ Approximately one-third of the world population (~ 2.1 billion people) is considered overweight, making obesity the third largest human-caused economic burden. Obesity-related health care expenses in the United States total \$663 billion annually.²⁶ Beef still comprises the highest proportion (58 percent) of meat consumed in the United States, but health-conscious consumers are increasingly shifting toward poultry and other lean meats.²⁷ In 2010, to

consumed in the United States, but health-conscious consumers are increasingly shifting toward poultry and other lean meats.²⁷ In 2010, to support healthier food choices, The Patient Protection and Affordable Care Act (“Obamacare”) stipulated that calorie counts must be displayed on all food service menus of chains with at least 20 units and that restaurants must provide additional nutritional information upon request. These trends place considerable pressure on a fast food company that depends on hamburgers for the main portion of its income. McDonald’s has been sued (unsuccessfully) for making its customers fat and was featured in an unflattering documentary (*Super Size Me*), in which the protagonist claims that he grew increasingly ill and gained 25 pounds after eating only McDonald’s food for one month.²⁸

Meanwhile, concerns over the increase in antibiotic-resistant bacteria have led to calls for the elimination of subtherapeutic antibiotic use in meat animals. Though banned in the EU and Canada, the United States permits farmers to administer small doses of antibiotics to livestock to increase weight gain. McDonald’s recently followed in the footsteps of several of its competitors and announced its intent to stop selling chicken products from birds treated with antibiotics important to human health (non-human antibiotics are still permitted). Given that McDonald’s claims to be the largest restaurant seller of chicken in the United States, this move is likely to reverberate throughout the poultry industry. Changes in cattle production are likely to move much more slowly due to higher beef prices, the longer life span of cattle, and the fragmented nature of the beef industry.²⁹

Moreover, besides ending the use of antibiotics in the chickens used, Easterbrook also decided to remove highfructose corn syrup from McDonald’s hamburger buns. He also laid out a 10-year plan to only use suppliers that keep chickens cage free. These moves could be potentially transformative for McDonald’s, as chicken and eggs account now for roughly 50 percent of the menu items.³⁰ One reason for this high percentage level is Easterbrook’s early decision to offer all-day breakfast, which was well-received in the U.S. market.

Healthier menu items mean increased supply costs for restaurants, even as customers remain price sensitive. In 2018, McDonald’s announced that Quarter Pounders® would be cooked with fresh beef in all U.S. restaurants.³¹ This was met with a strong customer response. McDonald’s CFO boasted, “In the first half of 2019, we sold over 55 million more quarter-pound burgers compared to last year.”³² While this has proven both popular and an assertive way to offset Wendy’s position of “Never Frozen,” it also incurs significant supply chain considerations and costs.

Competition

Traditionally, the main competition for McDonald's has come from other quick-service restaurants such as Wendy's, Burger King, and Yum! Brands' Taco Bell. McDonald's is roughly twice the size of its next largest global competitor (all three Yum! Brands combined), but has slightly fewer outlets.³³ It controls almost half of the U.S. hamburger market, which is more than three times larger than the market share held by either Wendy's or Burger King.

Burger King

On August 26, 2014, Burger King merged with the Canadian restaurant chain Tim Hortons to form the world's third-largest quick-service restaurant chain, called Restaurant Brands International (RBI). The combined company has annual sales of \$30 billion, with over 25,000 restaurants in approximately 100 countries. Besides Tim Hortons and Burger King, RBI also acquired Popeyes in 2017 for \$1.6 billion.³⁴ All of the restaurants are franchises.

Wendy's

Wendy's is the third largest U.S. burger chain, with more than 6,500 locations in 28 countries. Wendy's strives to differentiate itself as "a cut above" its competitors, with higher-quality food that is made fresh-to-order. They had revenues of \$1.6 billion in 2018. Analysts offer several reasons as to why Wendy's has succeeded with this strategy while McDonald's has struggled. Not only is it easier for the smaller chain to implement short-term menu changes, but it has long specialized in custom-building sandwiches without compromising quick service.

Taco Bell

Taco Bell (a division of Yum! Brands) is the most widely recognized Tex-Mex option in the quick-service restaurant category, with approximately 6,000 restaurants (80 percent of which are franchises) in the United States. After a string of food contamination and quality issues from 2006 through 2011, the company started to rebound in 2012. Taco Bell tries to launch eight to ten new items per year, knowing that the sales bump from major hits like Locos Tacos levels off within about two years.

Chick-fil-A

Chick-fil-A is one of the few, large privately held quick-service restaurant chains. Unlike KFC, which is active in 120 countries, Chick-fil-A only operates only in the United States. By 2018 it had over 2,200 locations across 47 states (only Hawaii, Alaska, and Vermont have no Chick-fil-A outlets), and earned more than \$10 billion in sales. Famously, the company has the highest gross sales per store and is closed on Sunday.³⁵ All the stores are company-owned with “owner operators” who invest less than a typical McDonald’s or Burger King.

Fast Casual

Boundaries between quick-service and other restaurant segments have become increasingly blurred. Fast-casual restaurants provide high-quality food without table service, in a distinctive atmosphere, at prices that are “low enough.” Some observers describe fast casual restaurants as distinguished by the 10 F’s: Full view preparation of food, Food quality, Fine ingredients, “Fitter” wholesome food, Fresh, First-rate décor, Fair price, Fast service, Friendly employees, and Flexible offerings. Due to this successful combination of higher quality and affordable prices, the fast-casual segment is one of the few areas in the restaurant industry that is experiencing steady growth. Combined fast-casual sales increased by double digits in the last few years, and is expected to continue into the near future. Even traditional sit-down restaurants are looking at ways to move into the fast-casual arena by offering selected scaled-down dishes that appeal to value-seeking diners.

A sub-segment of the fast-casual restaurant industry is the premium burger segment, which grew 10 times faster than traditional fast food chains from 2008 through 2013.³⁶ Customers have been flocking to burger chains such as Five Guys, In-N-Out Burger, Shake Shack, Smashburger, and Fatburger for higher-priced, higher-quality burgers, while fast food restaurants such as McDonald’s, Burger King, and Wendy’s have scrambled to counter with their own premium offerings.

In 2019, Five Guys claims the title of the fastest-growing restaurant chain in the United States, with some 1,500 locations worldwide and revenues of \$2 billion, holding 50 percent market share in the “better-burger” segment. Customers also have been known to wait in line for nearly an hour to get a Shake Shack burger and fries; the company’s shares proved to be just as popular in its January 2015 IPO, more than doubling in price from \$21 to \$45.90 on the first day of trading. In 2019, Shake Shack is trading at all-time highs with a market capitalization of \$3.5 billion with revenues of \$529 million.

of \$3.5 billion with revenues of \$529 million.

But much like the Arch Deluxe in the 1990s, McDonald’s more recent efforts to compete in the premium segment have fallen flat. Customers could not justify paying \$4 to \$5 for a one-third pound Angus burger when there were sandwiches on the McDonald’s Dollar Menu for much less. The company discontinued the Angus Deluxe product line in 2013 after just four years.³⁷

Other fast-casual restaurants such as Chipotle Mexican Grill, Panera Bread, and more recently even Starbucks, have taken away customers from McDonald’s.

Coffee

McDonald’s expanding into specialty coffee drinks with the McCafé line means that it also competes with more traditional coffee shops such as Starbucks and Dunkin’ Donuts. Starbucks answered the introduction of McCafé by distributing its Seattle’s Best brand to other quick-service restaurants such as Burger King and Subway. It purchased La Boulange Bakery in 2012 to expand its food offerings, which are now available in more than 2,500 stores. In total, Starbucks has over 28,000+ stores, and garnered revenues of over \$24 billion in 2018.

Attempting to drive more store traffic in outside the morning hours where customers need their daily caffeine shot, Starbucks has added baked goods, sandwiches, and other food items to its menu. To get more customers into its stores in the late afternoon and early evening—traditionally its slowest time—Starbucks stores now offer items such as vegetables, flatbread pizza, plates of cheese, and desserts.

Dunkin’ Donuts, on the lower price point of the spectrum, currently has more than 11,300 locations and continues to expand its warm breakfast options to compete more effectively.³⁸ Dunkin’ Donuts, which has served coffee for more than 60 years, made a failed bid to trademark its brew as the “Best Coffee in America.” As coffee shops sell more food and restaurants dispense specialty coffees, competition between these market segments is intensifying.

Market research indicates that the typical American dines out about five times per week. One of the main reasons so many quick-service restaurants are focusing on new breakfast items is that the early morning meal is the least saturated. For every restaurant breakfast, the NPD Group estimates that the average American consumes 2.5 lunches and almost two dinners outside the home. Around 11 to 12 percent of these meals are eaten at McDonald's.³⁹

A quick breakdown of a typical McDonald's franchise in a middle-class suburb of 25,000 residents provides additional market insight. Roughly one out of 16 or 1,500 people in town visit the local McDonald's over the course of a given day. Breakfast accounts for the largest proportion (30 percent) of sales, followed by lunch (24 percent); afternoon, dinnertime, and late night/early morning each account for another 15 to 16 percent of sales. The noon lunch hour is the busiest and most profitable time of day, bringing in \$200,000 in revenues. Annually, the average franchise can be expected to bring in about \$1.7 million in sales, with an operating profit of around \$150,000.

The three main target market segments for McDonald's are mothers, children, and young adults.⁴⁰ Moms view McDonald's as a quick, easy, and affordable meal for families on the go, and they usually are the ones who bring the children. But with 17 percent of U.S. youth considered obese, fast food chains find themselves in an awkward position when marketing directly to children. In response to parental demands for healthier kid meal options, McDonald's reduced its Happy Meal® calorie count by 20 percent by adding apples and halving the amount of french fries. McDonald's has reduced the sodium content of its food by 15 percent, and plans to make further reductions in calories, sugars, saturated fats, and portion sizes by 2020.⁴¹ Even this was not enough for a nine-year-old girl who publicly took then-CEO Thompson to task at a shareholders' meeting, accusing the company of tricking kids into eating junk food by using toys and cartoon characters.⁴² Other chains, such as Jack in the Box, have opted to eliminate toys from their kids' meals, while Taco Bell has dropped its children's menu altogether.

The key demographic group for most fast food restaurants is comprised of young, single professionals who earn above-average incomes. These so-called "heavy users" frequent a given chain twice or more per week, providing a steady source of sales and profit. A recent study, however, indicated that McDonald's was not even in the top 10 of the 18-to-32-year-old age group's favorite restaurants. Instead, Millennials are more likely to eat at fast-casual restaurants that emphasize ingredient quality and demonstrate an awareness of social issues like environmental sustainability.