

Marketing Audit of McDonald's UK: External and Internal Environment Analysis



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Executive Summary

This report evaluates McDonald's UK's strategic position through a marketing audit of its external and internal environment. The analysis applies PESTEL to examine macro-environmental pressures, Porter's Five Forces to assess the micro-environment and industry structure, and VRIO to evaluate key internal resources and capabilities. SWOT is then used to synthesise the findings.

The report finds that McDonald's UK remains strongly positioned because of its brand strength, dense store network, franchise system and increasingly integrated digital platform. However, the business faces growing pressure from wage increases, health and packaging regulation, intense price competition, changing consumer expectations and the operational challenge of delivering sustainability commitments at scale. Rivalry is particularly strong across value, breakfast, convenience and delivery, while digital capability is becoming less distinctive across the sector.

The report concludes that McDonald's UK is strategically strong but operates in an increasingly demanding market. It recommends that the business should continue to protect value leadership, strengthen omnichannel convenience and improve the large-scale operational delivery of sustainability commitments. Overall, McDonald's is likely to remain competitive if it aligns brand, franchise execution and digital integration more effectively than rivals.

1. Introduction

This report critically analyses McDonald's UK's current and future external and internal environment in order to assess the company's strategic position in the UK quick-service restaurant (QSR) market. A marketing audit provides the situation analysis that underpins a marketing plan by systematically evaluating the firm's external and internal environment before strategic decisions are made. In this report, PESTEL is used to analyse the macro-environment, Porter's Five Forces the micro-environment, and VRIO the internal resource base, before SWOT draws the findings together. McDonald's is an appropriate case because it combines strong brand equity, a mature franchise network and growing digital capabilities with exposure to mounting regulatory, cost and sustainability pressures. The discussion remains application-focused, as required by the brief, and argues that McDonald's UK remains competitively strong but will need to defend value, accelerate omnichannel convenience and translate sustainability commitments into commercially credible execution.

2. Company Context

McDonald's UK is an appropriate case not simply because it is a large fast-food brand, but because its competitive position is shaped by a scale and system architecture that many rivals do not share. McDonald's has more than 1,450

restaurants across the UK and Ireland and employs more than 135,000 people across the system, giving it unusually dense geographic coverage and high operating visibility in the market (McDonald's UK, n.d.). In the UK and Ireland, the company has also announced plans to open more than 200 additional restaurants over four years, indicating that it is still treating physical expansion as strategically important rather than merely defending a mature estate (Financial Times, 2024). What makes this especially relevant to McDonald's, rather than to the whole sector, is the way scale is organised through a tightly managed franchise system. McDonald's works with franchisees through long-term agreements, rigorous standards, consultant support, formal training and co-investment in restaurant and operating-system improvements, allowing the business to translate brand scale into operational consistency and rapid system-wide roll-out more effectively than smaller chains or less integrated competitors (McDonald's Restaurants Limited, 2023). At the same time, this system creates a McDonald's-specific strategic tension: the firm benefits from scale, but strategic change is also harder to implement evenly across such a large, highly standardised and franchise-dependent network.

3. PESTEL Analysis

3.1 Political and Legal Factors

PESTEL is used to examine the macro-environmental forces that shape the context in which a firm operates. In this report, the framework is applied to McDonald's UK to

identify the political, economic, social, technological and environmental factors that influence its current position and future strategic options. Politically and legally, McDonald's UK operates in an environment of tightening intervention in labour, health and packaging. The National Living Wage increased to £12.21 from April 2025, with the Low Pay Commission later estimating a rise to £12.71 from April 2026 (GOV.UK, 2024; Low Pay Commission, 2025). For a labour-intensive QSR operator, this directly pressures store-level profitability, especially in lower-margin franchised units. At the same time, calorie labelling rules for large food businesses and HFSS promotion restrictions continue to reshape how major chains communicate value and menu offers (GOV.UK, 2021; GOV.UK, 2025). These rules do not make McDonald's unviable, but they reduce promotional flexibility and raise the strategic importance of menu reformulation, portion architecture and value design. Packaging policy also matters. Plastic Packaging Tax rose to £223.69 per tonne from April 2025 and will rise again to £228.82 from April 2026, increasing pressure to redesign materials and waste systems (GOV.UK, 2026b). Consequently, regulation in the UK is not a peripheral issue; it is becoming a direct determinant of menu economics, marketing execution and operating compliance.

3.2 Economic Factors

Economically, the UK context remains difficult for restaurant operators. This partly explains why value leadership remains strategically central. Importantly, this is not only a theoretical concern. McDonald's signalled in late 2024 that its value advantage had narrowed, and in the UK it responded with lower-priced bundles such as the three-for-£3 Mix 'N' Match offer (Financial Times, 2024). Pressure is also clearly UK-specific, as cost-conscious consumers and strong value rivals such as Greggs continue to intensify competition (Financial Times, 2024; Greggs plc, 2025). Value

therefore has to be maintained through pricing and bundling rather than assumed as a lasting strength.

3.3 Social Factors

Socially, the company faces a more fragmented customer landscape than in earlier decades. The UK food environment shows continued reliance on out-of-home food and growing influence from delivery platforms, while public concern around nutrition, affordability and sustainability is increasing (The Food Foundation, 2025).

McDonald's benefits from its familiarity, speed and convenience, yet social expectations now extend beyond taste and price. Consumers increasingly expect visible information, healthier options, frictionless digital ordering and credible environmental behaviour. Research also shows that customer loyalty in fast-food settings is increasingly linked to service quality, satisfaction and relational benefits rather than mere habitual purchase alone (Ali-Alsaadi et al., 2025). This means McDonald's social challenge is not simply to attract traffic, but to sustain relevance across multiple value dimensions: low price, convenience, trust, and responsible brand behaviour.

3.4 Technological Factors

Technological change in the UK QSR market is reshaping how customers search for, order and receive food. Across the sector, app-based ordering, delivery integration, kiosk use and data-enabled personalisation are making convenience faster, more seamless and more competitive. Recent research supports this direction. Digital transformation improves restaurant productivity, particularly when front-of-house and back-of-house technologies are aligned (Lee, Jang and Kim, 2024). Studies on food delivery and restaurant apps likewise show that convenience, interactivity, trust and engagement are key drivers of repeat use and loyalty (Londoño-Giraldo, López-Ramírez and Vargas-Piedrahita, 2024; Jabbour Al Maalouf et al., 2025). However, digitalisation is no longer rare in itself. In the UK, delivery and platform-based ordering are now mainstream, and leading brands are competing through increasingly similar digital channels. For McDonald's, the issue is therefore less whether it has digital tools, and more whether it can integrate them better than rivals into a faster and easier operating system.

3.5 Environmental Factors

Environmental pressures are strategically material for McDonald's not because the company lacks sustainability commitments, but because the real challenge is whether those commitments can be operationalised at scale across a large franchise-led system. In the UK and Ireland, McDonald's has set ambitions around net zero standard restaurants, circular packaging and lower-emission operations, but the

strategic issue is implementation rather than intention (McDonald's UK & Ireland, 2021). Translating environmental goals into routine practice across more than 1,450 restaurants requires coordinated changes in restaurant design, energy systems, packaging specifications, waste processes, supplier compliance and franchisee execution. This is particularly demanding in a system where franchising depends on rigorous standards, long-term agreements and co-investment in operating improvements, because environmental change must be embedded into operating routines rather than treated as a separate CSR programme (McDonald's Restaurants Limited, 2023). In the UK context, sustainability is also increasingly becoming a baseline expectation rather than a clear source of differentiation. This should be treated as an evidence-based inference: consumer research indicates growing expectation for sustainable options, while policy and reporting pressures mean that many large operators are being pushed in the same direction (Deloitte, 2024). For McDonald's, the environmental question is therefore whether it can implement lower-carbon and more circular operations consistently, credibly and cost-effectively across the system.

Overall, the PESTEL analysis suggests that McDonald's UK operates in a challenging but still attractive environment. Regulation, wage growth and sustainability expectations are making the market more demanding, yet inflation, convenience culture and digital adoption continue to support the QSR model. McDonald's is likely to remain competitive if it treats compliance, value architecture and omnichannel convenience as integrated strategic priorities rather than separate issues. Having

considered the macro-environment, the analysis now turns to the micro-environment and the industry-level forces shaping competition in the UK fast-food market.

4. Porter's Five Forces Analysis

The micro-environment refers to the immediate industry conditions that directly shape competition and profitability. Porter's Five Forces is used here because it helps evaluate how rivalry, buyer power, supplier power, substitutes and new entrants affect the attractiveness of the UK fast-food market and McDonald's UK's position within it. Porter's Five Forces analysis indicates that rivalry in the UK fast-food market is high because McDonald's is challenged across several concrete competitive dimensions rather than within a single burger segment. First, price and value competition are intense. McDonald's has historically benefited from a strong affordability position, yet management has acknowledged pressure on that lead, while Greggs continues to hold a sector-leading value reputation in UK food-to-go (Financial Times, 2024; Greggs, 2025). Second, breakfast is a genuine competitive battleground rather than a peripheral one, with Greggs retaining the UK's number one position in food-to-go breakfast and therefore competing directly with one of McDonald's most routine traffic-driving dayparts (Greggs, 2025). Third, convenience competition is multi-layered: McDonald's benefits from dense store coverage, but convenience is now also shaped by delivery access, click-and-collect, app usability and speed of fulfilment. In UK foodservice delivery, company-owned delivery

platforms account for a large share of occasions and McDonald's is already one of the leading brands by delivery turnover, showing that rivalry increasingly extends into digitally mediated fulfilment rather than just physical outlet competition (Lumina Intelligence, 2025). Finally, rivalry also extends into health and menu transparency, because calorie labelling and HFSS-related restrictions make menu design and promotional strategy more visible and contested. Rivalry is therefore not only about who sells the best burger at the lowest price; it is about who can win the largest number of customer missions across breakfast, value, speed, delivery and acceptable menu choice. The threat of new entrants is moderate rather than high. Opening a single takeaway outlet is relatively easy, but building a trusted national QSR brand with dense site coverage, integrated supply chains, franchise know-how and national marketing scale is much harder. McDonald's established estate, brand recognition and operating routines therefore raise entry barriers. Research on franchise system performance also suggests that capability combinations and system-level coordination are difficult to replicate quickly, which further limits the threat from new entrants (Perdreau, Le Nadant and Khelil, 2023).

Supplier power is moderate. McDonald's scale gives it substantial bargaining leverage, yet supplier dependence remains relevant because agricultural commodities, protein sourcing, packaging compliance and sustainability standards are increasingly volatile. Environmental shocks and stricter sourcing expectations can raise switching costs and reduce flexibility, particularly where the company needs consistent national specifications.

Buyer power is better characterised as moderate to high rather than simply high.

Individual consumers have very limited direct bargaining power over McDonald's because they do not negotiate price, contract terms or product specifications.

However, collective buyer power is still substantial because switching costs are low, alternatives are abundant and price comparisons are increasingly transparent across digital channels. UK consumers can easily switch between burger chains, bakery-led food-to-go operators, supermarkets, coffee chains and delivery platforms depending on the mission involved. Research on online food ordering also suggests that convenience, trust, service quality, satisfaction and perceived value significantly shape repeat behaviour, which means consumers can punish weak performance quickly through exit rather than negotiation (Jabbour Al Maalouf et al., 2025; Siddiqi et al., 2024; Teo et al., 2024). Buyer power is therefore not "high" in a traditional procurement sense, but it is strong enough to constrain pricing and force continuous improvements in value, user experience and fulfilment quality.

The threat of substitutes is also high. Substitutes include home cooking, meal deals from retailers, convenience food, café formats and delivery-only concepts. Wang et al. (2024) further suggest that omnichannel service models broaden the competitive set because restaurant consumption is no longer tied to a single format. As a result, McDonald's does not compete only against burger chains; it competes against any option that solves the same need state of fast, affordable, reliable food.

Taken together, the industry is structurally challenging. Profitability depends less on avoiding competition and more on executing scale, value and convenience better than rivals. This favours McDonald's, but it also means the firm cannot rely on brand heritage alone.

5. Internal Analysis: VRIO Framework

VRIO is an internal analysis framework used to assess whether a firm's resources and capabilities are Valuable, Rare, difficult to Imitate, and Organised to capture value from them. It is useful in this report because it helps distinguish between resources that merely support operations and those that can generate temporary or sustained competitive advantage for McDonald's UK. From a VRIO perspective, McDonald's UK possesses several important resources and capabilities, but the strength of its position depends heavily on how effectively the organisation is structured to exploit them.

Table 1 summarises the VRIO assessment of McDonald's UK's key resources and capabilities.

Table 1. VRIO Summary of McDonald's UK

Resource	V	R	I	O	Implication
Brand equity	Yes	Yes	Yes	Yes	Sustained competitive advantage
Franchise system	Yes	Yes	Yes	Yes	Sustained advantage
Digital ecosystem	Yes	Partly	Partly	Yes	Temporary advantage
Supply-chain scale	Yes	Partly	Partly	Yes	Parity / temporary

First, the McDonald's brand is clearly valuable. It reduces customer search costs, supports trust and amplifies marketing effectiveness. It is also relatively rare at comparable scale in UK fast food, and difficult to imitate because brand equity has been built through decades of investment, standardisation and cultural visibility. Crucially, McDonald's is organised to exploit this asset through coordinated national marketing, tightly managed menu architecture and structured franchise participation in marketing planning and budgeting. Brand value is therefore not only symbolic; it is embedded in repeatable system processes, which makes it a source of sustained competitive advantage.

Second, the franchise and location system is both valuable and difficult to imitate (British Franchise Association, 2025). Dense coverage allows McDonald's to compete on convenience, while franchising supports local ownership and capital-efficient growth. However, the "O" dimension is especially important here. McDonald's does not rely on outlet density alone; it supports franchisees through formal training, consultant guidance, long-term agreements, rigorous operating standards and co-investment in restaurant and system improvements. New franchisees undergo extensive training and are supported by experienced consultants, while the wider governance structure is designed to maintain consistency and high quality across the system (McDonald's UK, n.d.-b; British Franchise Association, 2025; McDonald's Restaurants Limited, 2023). This means the network functions as an organised operating system rather than a loose collection of sites. The combination of coverage, know-how transfer and execution discipline makes this a likely sustained competitive advantage.

Third, McDonald's digital ecosystem, including loyalty, app-based ordering and integrated fulfilment, is valuable and increasingly important. This internal strength is visible in the company's recent platform performance: McDonald's reported that its loyalty ecosystem reached more than 175 million active users across 60 markets in 2024, while "Ready on Arrival" continued to be rolled out to speed up mobile-order fulfilment (McDonald's Corporation, 2025a). These capabilities improve convenience, support personalisation and can strengthen repeat purchase behaviour. McDonald's is also increasingly organised to exploit this capability through a broader consumer platform, a modern operating platform, and store-level processes such as faster mobile-order preparation and grading-and-consulting support for lower-

performing restaurants (McDonald's Corporation, 2025a). However, digital capability is less rare than it once was because rivals are also investing in apps, kiosks and delivery integration. This means digital capability is best understood as a temporary or medium-term advantage unless McDonald's continues to outperform rivals in system integration and execution.

Finally, McDonald's supply-chain scale and procurement relationships are valuable because they support consistency, food safety, cost control and system-wide rollout. The company is organised to exploit these resources through category management, formal supply-chain leadership and close coordination across the system (McDonald's Corporation, 2025a). Even so, this capability is partly constrained by input volatility, regulatory pressure and sustainability-related adaptation costs. Overall, the VRIO analysis shows that McDonald's strongest advantages still lie in brand and system capability, but those advantages endure only because the business has built organisational mechanisms, routines and franchise-support structures that allow resources to be exploited repeatedly across the network.

6. SWOT Analysis

The SWOT analysis brings the earlier findings together. McDonald's key strengths are its brand recognition, national store coverage, franchise capability, purchasing power and increasingly sophisticated digital ecosystem. These strengths support value delivery at scale and help the company withstand intense competition. Its main weaknesses are more internal than environmental: strategic change can be slower and more uneven in a large franchise-led system; execution quality depends heavily on alignment across operators; and the business must constantly balance standardisation with the need for local responsiveness, healthier menu expectations and channel-specific innovation.

The most important opportunities lie in trading-down demand during economic pressure, further omnichannel growth, targeted menu innovation and visible sustainability execution. If customers continue to seek affordable, fast and predictable food experiences, McDonald's is well placed to capture demand. The announced expansion across the UK and Ireland also indicates scope for continued physical growth in selected locations (Financial Times, 2024). In addition, stronger integration of data, loyalty and fulfilment could improve both customer retention and operational efficiency.

The major threats are persistent cost inflation, stricter health and environmental regulation, stronger buyer power and broad substitution. McDonald's also faces the strategic risk that convenience and digital access become fully standardised across the sector, weakening what is currently a key competitive strength. Finally, sustainability expectations are rising faster than many firms can operationalise, so any perceived gap between promise and performance may damage credibility.

Overall, the SWOT suggests that McDonald's UK is strategically strong but not strategically comfortable. The company's strengths are substantial, yet the external environment is becoming less forgiving. This means future success will depend on disciplined execution rather than scale alone.

7. Conclusion

In conclusion, McDonald's UK remains one of the strongest competitors in the UK fast-food market because it combines brand power, franchise depth, operational scale and digital capability. The external environment is increasingly demanding, however. Wage inflation, HFSS and calorie regulation, packaging costs, food inflation and sustainability expectations are all reshaping the basis of competition. Porter's Five Forces shows that rivalry, buyer power and substitution remain high, meaning McDonald's must continuously defend relevance. The VRIO analysis shows that its deepest advantages still lie in brand and system capability rather than in digital tools by themselves. Strategically, the business should prioritise three linked themes: protecting value leadership, deepening omnichannel convenience, and turning sustainability commitments into visible operational outcomes. If McDonald's can align these priorities, it should remain resilient in both the current and future UK environment.

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