

ASSESSMENT 1 SPECIFICATION

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Module Learning Outcomes (from module syllabus)			
Upon the successful completion of this assessment, the student should be able to demonstrate the ability to:			
• Critically analyse an organisation's current and future external and internal environments			

Strategic Marketing Analysis of McDonald' s UK: Evaluating the Current and Future External and Internal Environment

Abstract

This report is a strategic analysis of the marketing position of the McDonalds UK in the UK by analyzing its external and internal environments. It relies on such major frameworks as PESTEL, Five Forces made by Porter, VRIO, as well as SWOT in order to learn about the challenges existing nowadays, and possibilities, which are going to arise in the future.

The results indicate that McDonalds is currently working in a very competitive and dynamic market. It is highly dependent on external forces such as government regulations, economic pressure, health awareness, and change in technology that have massive influence on its performance. Simultaneously, the firm enjoys a good brand reputation, well-developed franchise network, and developed online services.

Nonetheless, other threats that are experienced by McDonald also include increasing prices, health issues, and competition. The report concludes that the future success will be achieved by being able to adapt to customer needs, managing costs and never giving up on innovation but keeping the main strength.

Keywords: strategic marketing, McDonald UK, PESTEL analysis, Five Forces, VRIO, SWOT analysis.

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1.0 Introduction

McDonald's UK is one of the most prosperous chains of fast-food restaurants in a highly competitive quick-service restaurant (QSR) market. It enjoys a large chain of restaurants in the United Kingdom. The consistent growth in the changing consumer preferences, good brand awareness, and standardized operations has enabled the company to uphold the dominant market position. However, the external environment is dynamic, and the internal capabilities are constantly changing, necessitating a constant assessment of its strategies.

The purpose of the report is to critically assess the external and internal environments of McDonald's in the UK at present and in the future. This report utilizes strategic planning theory and important strategic frameworks such as the PESTEL analysis to evaluate macro-environmental factors, the Five Forces model created by Porter to evaluate the competitiveness of the industry, and the VRIO framework to examine internal resources and capabilities. A SWOT analysis is then conducted as a final synthesis to integrate both internal and external insights. The report takes the strategic marketing approach with a special emphasis on the UK market and with the focus on analytical assessment of the opportunities offered, threats, strengths, and weaknesses that are likely to shape the future strategic position of McDonald's.

2.0 External Environment Analysis - PESTEL

According to strategic planning theory, the external environment is an important factor that affects the strategic decision of McDonald's UK, especially in the dynamic and highly competitive quick-service restaurant (QSR) industry. A PESTEL analysis is an organized assessment of the major macro-environmental factors affecting the existing operations of the company and long-term strategic orientation.

In political and legal terms, the government policies of relevant departments, such as the health of its people, taxes, and employment, have a huge impact on McDonald's in the UK. Marketing efforts and product offerings could be constrained by growing regulatory pressure on the intake of unhealthy foods and the (possibly) imposed

restrictions on high-fat, sugar, and salt (HFSS) products (Hilton et al., 2023). Also, the increase in minimum wage and employment policies raises operational expenses, especially in an industry that is labor-intensive. Such aspects will escalate in the future as governments will focus on the health of the people and the safety of the workers.

The economic environment has both threats and opportunities. The current cost-of-living crisis in the UK has left the consumer with less disposable income, and with the consumer being price-sensitive. The change is an advantage to the value-based positioning of McDonald's because consumers can substitute the higher-priced meals. There are, however, inflationary pressures on food materials, energy, and wages, which make the operations more expensive, which may narrow the profit margins. The company should therefore be able to balance between affordability and cost efficiency to ensure that it remains competitive in the long run. In socially perspective, the shifting consumer tastes are shifting demand in the fast-food industry. Growing health awareness is making people more critical of fast-food brands, compelling McDonald's to increase the variety of healthier foods in its menu and enhance nutrition labeling (Hilton et al., 2023). Concurrently, there is an ever-increasing demand for convenience due to a high level of life and urbanization. This has reinforced the relevance of the drive-through and delivery platforms. Ethical consumption trends such as sustainability and responsible sourcing are also likely to contribute to customer expectations in the future.

One of the determinants of competitive advantage within the QSR industry is technological innovation. McDonald's has recently invested a lot in digital technologies in the UK, such as mobile order, self-service kiosks, and the incorporation of delivery services with third-party applications (Khatri et al., 2025). These inventions create a better customer experience, increase the efficiency of operations, and allow the use of data-driven marketing approaches. Since the use of technology is becoming more and more popular, technological leadership will be the key to preserving the market share and fulfilling the changing expectations of consumers.

The environmental context is gaining critical importance as the issues of sustainability affect regulation and consumer behavior. The pressure to eliminate plastic waste, carbon emissions, and impact on the environment has caused McDonald's to take some measures, such as sustainable packaging and responsible sourcing (Rafli & Irjayanti, 2025). However, these projects can make the cost higher and demand constant investment. Sustainability is an important strategic focus that is likely to increase in future environmental regulations and consumer activism.

In general, the PESTEL analysis offers a multi-faceted and dynamic macro-environment where the forces of the economy, regulatory shifts, technological progress, and the values and shifts in consumer values together define the UK McDonald's strategic environment. The future is also the capacity of the company to respond to these external forces in terms of its continued competitive standing in the present and even in the future market.

3.0 Industry Analysis: Porter's Five Forces

The Five Forces model of Porter presents an analytical framework of competitive forces in the UK quick-service restaurant (QSR) industry in which McDonald's is based. The industry is faced with stiff competition, changing consumer tastes, and mounting pressure from both the traditional and non-traditional competitors. The table below summarizes the Five forces model (Appendix A).

3.1 Competitive Rivalry

The level of competitive rivalry in the UK fast-food market is very high. McDonald's is in direct competition with international chains like KFC, Burger King, and Subway, and local players like Greggs, who have strong domestic competition. Price, product innovation, convenience, and promotion are some of the areas in which these competitors keep competing (Deniz & Abbasaliyeva, 2022). The comparative ease with which consumers can switch to other brands also increases competitiveness, since clients can always switch to other brands. Also, the growth of the delivery platform has resulted in competitors being more visible and hence harder to

differentiate. Therefore, to keep its position in the market at the top, McDonalds must continually be creative and valuable.

3.2 Threat of New Entrants

New entrants have a medium to low potential. Even though the established players like McDonalds are being barred by some barriers to entry such as high capital requirement, brand loyalty, and economies of scale, the smaller independent restaurants and the niche fast-casual brands can still enter the market. New businesses are now able to run without substantial physical infrastructure due to the emergence of digital platforms and delivery services, reducing some barriers to entry. However, it is still hard to replicate the scale, brand image, and operational efficiency of McDonald's, which restricts the general threat of large-scale entry.

3.3 Bargaining Power of Suppliers

McDonald's UK has a relatively low bargaining power with suppliers because of its global nature and established network of suppliers. Large-scale buying and prolonged working connections with suppliers ensure that the firm can derive good terms. Nonetheless, any external influence like inflation, disruption of a supply chain, and changes in the prices of commodities (e.g., meat, oil, and packaging materials) may raise supplier power indirectly (Howson et al., 2022). As much as McDonald's has good control of its supply chain, the current economic volatility might be a problem when it comes to cost management.

3.4 Bargaining Power Of Customers

The bargaining power of customers, on the other hand, is high. QSR market consumers are very price-sensitive and possess a high level of alternatives. The presence of many competitors, as well as low switching costs, gives customers a lot of power to control prices and the expectation of service (Howson et al., 2022). Moreover, more information is easily available on the internet and social media, and this means that consumers can easily compare choices and publicly complain. This

puts pressure on McDonald's to ensure that its quality, price, and customer experience are high.

3.5 Threat of Substitutes

Lastly, there is a high-level threat of substitutes, and this is increasing. Consumers would have the option to replace fast food with home-cooked meals, ready-to-eat foods in the supermarket, or other places to dine, like fast-casual and healthier food outlets. This threat is further intensified by the increasing focus on health and wellness because consumers will pursue more alternatives that are viewed as healthy. In addition, the growth of the food delivery business has increased the scope of potential substitutes, thus augmenting the competition with the traditional fast-food stores.

As Azevedo (2024) says, Five Forces analysis by Porter shows that the QSR industry in the United Kingdom is very competitive, and the rates of rivalry, substitutes, and customer forces are high. Although McDonald's enjoys the advantage of huge scale and brand presence, it should keep on changing its tactics to stay afloat in a fast-changing and overcrowded market.

4.0 Internal Environment Analysis -VRIO

The VRIO framework can effectively be used to evaluate the internal environment of McDonald's UK because it determines whether the firm has adequate resources and capabilities that can give a sustained competitive advantage. In this analysis, essential strengths of the organization, such as brand equity, operational effectiveness, digital abilities, and its franchise-based business model, are going to be evaluated. The figure below summarizes the VRIO framework model (Appendix B).

Global brand is one of McDonald's most important assets; McDonald's brand is highly valuable in the context of customer attraction and retention. Aniebonam (2025) argues that the brand has been correlated with consistency, affordability, and convenience, and therefore, it is especially attractive in a price-sensitive market like the UK.

Although the brand itself is not absolutely unique in the fast-food market, it is large

and well-established, and it is not easy to imitate it. McDonald's is also well structured to take advantage of this asset, with standardized operations and regular marketing strategies, which have led to a sustained competitive advantage.

Another key strategic asset that the company has is its franchise business model. This model enables McDonald's to grow faster, and operational risk is minimized, which allows McDonald's to spend less on capital. Franchisees invest in the knowledge of the local market and management of operations, where the company reserves a strategic role (An, 2024). This system is useful and quite uncommon to this extent, and competitors can hardly repeat it because of the complexity of coordination and long-term relationships. McDonald's is well structured to assist in this model, which means that the competitive advantage is very high and lasting.

The supply chain and operational systems also help McDonald's to maintain a high level of efficiency as they provide uniform quality of products and costs of the products across all the restaurants in the UK. The company has sourcing capabilities and economies of scale globally, which enable it to strike favorable terms of employment with suppliers and also ensure that its operations are economical (Setiawan & Ellitan, 2023). Other competitors can create similar systems; however, it is difficult to match the scale and integration of McDonald's. This feature gives an interim competitive edge to a permanent one, which depends on the situation in the market and cost competition.

Moreover, digital and technological capacities of the company have gained more significance. Khatri et al. (2025) note that mobile ordering, self-service kiosk, and delivery integration will increase customer convenience and efficiency in operations. These technologies are useful in fulfilling the changing consumer demands, but they are not completely unique, as other competitors are implementing the same technologies. As such, although digital capabilities are a competitive advantage, they are probably short-lived until continuously developed and differentiated. In contrast, other limitations exist in the form of the use of the standardized menu structure and difficulties in responding to health and sustainability needs rapidly. Such aspects could limit the flexibility and innovation in certain aspects.

On the whole, the VRIO analysis indicates that McDonald's UK has many important resources and competitive capabilities that can give it sustained competitive advantages, the most important of which is its brand strength and franchise system. However, survival with this advantage will mean constant adjustment to changes, especially with the technology and the changing customer expectations.

5.0 SWOT Analysis (Final Synthesis)

The SWOT analysis gives the overall synthesis of the most critical internal and external forces that affect McDonald's in the UK, based on the PESTEL, Porter's Five Forces, and VRIO analysis. It brings out the strategic location of the organization in a vibrant and competitive world. The table below highlights the key factors of our swot analysis (Appendix C).

5.1 Strengths

The strong internal capabilities of McDonald's UK give it its strength as a company. The internationally recognized brand with the guarantee of trust and loyalty among the customers, as well as a highly effective franchise system, allows the company to grow fast and provides it with consistency in its operations (Aniebonam, 2025). Its developed supply chain and economies of scale also promote cost leadership, which enables the company to pursue competitive prices. Besides, the active investment in digital technologies, including mobile ordering and integration with delivery, improves customer convenience and efficiency of work, contributing to its dominance in the market.

5.2 weaknesses

However, many weaknesses are witnessed in the organization. The standardization of the menu might prevent McDonald's from reacting fast to the shifting tastes of the consumers, especially the rising popularity of healthier and more varied foods (Yildirim, 2024). Moreover, its connection with fast food will have an adverse influence on brand perception in a health-conscious society. The company is also

challenged with balancing cost control and increasing the cost of operation, such as labor and the cost of ingredients, which can influence profitability.

5.3 Opportunities

In terms of external analysis, McDonald's UK offers great opportunities. Consumers can also be influenced by economic circumstances, including the cost-of-living crisis, to prefer cheaper food, which will increase demand for value meals at McDonald's. New technologies can be used to develop further digital interaction, individual approaches to marketing, and efficiency of services (Khatri et al., 2025). Also, increasing consumer focus on sustainability provides a possible differentiation opportunity in the form of environmentally conscious menu innovation.

5.4 Threats

On the other hand, the company has a number of threats in the external environment. The presence of strong competitive rivalry in the industry and the growing presence of options like healthier food choices and supermarket-ready meals within the UK QSR industry create some strain on the market share. Marketing tactics and product lines might be curtailed by the regulatory changes surrounding public health, such as prohibiting high-fat, sugar, and salt food products. Besides, inflation and supply chain disruptions are a threat to cost stability and efficiency (Sun, 2022). Overall, the SWOT analysis reveals that although the internal strengths that McDonald's UK has used to retain its leading position in the UK, it needs to continually respond to external forces, specifically, changes in consumer tastes, changes in the regulatory environment, and unpredictability of the economy, to remain successful in the long run.

6.0 Conclusion

In conclusion, the analysis shows that the UK operations of McDonald's are in a very dynamic and competitive world due to economic tensions and consumer tastes as well as tightening regulatory controls. Although the company enjoys good internal strengths such as a global brand, franchise system, and operational efficiency, the

company is experiencing some challenges in the form of health perceptions, cost pressures, and severe competition. One can capitalize on the digital innovation and respond to consumer behavior grounded on value, and this is particularly true in an uncertain economy. The long-term success, however, will depend on whether McDonald can be tactical in adapting to the changing environment in future and at the same time be in a position to retain its core competitive advantages.

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Appendices

Appendix A: Five Forces Model Summary Table

Force	Intensity	Key Factors	Implications
Competitive Rivalry	High	Strong competitors, price competition, low switching costs	Need for continuous innovation and competitive pricing
Threat of New Entrants	Low–Moderate	High capital, strong brand loyalty, digital lowers barriers	Established position remains strong but must watch new niche entrants
Supplier Power	Low	Bulk purchasing, strong supply chain	Cost advantage, though inflation may increase pressure
Buyer Power	High	Many alternatives, price sensitivity	Must maintain value, quality, and customer experience
Threat of Substitutes	High	Home meals, healthier options, supermarkets	Need to adapt menu and emphasize convenience

Appendix B: VRIO Matrix Analysis

VRIO MATRIX ANALYSIS: MCDONALD'S UK COMPETITIVE ADVANTAGE					
RESOURCE / CAPABILITY	 VALUABLE (V)	 RARE (R)	 INIMITABLE (I)	 ORGANISED (O)	COMPETITIVE IMPLICATION
 BRAND REPUTATION Brand reputation on Golden Arches	✓ YES	✓ YES	✓ YES	✓ YES	SUSTAINABLE COMPETITIVE ADVANTAGE
 FRANCHISE MODEL Buildnise and connecting storeflomes	✓ YES	✗ NO	✗ NO	✓ YES	TEMPORARY COMPETITIVE ADVANTAGE
 SUPPLY CHAIN EFFICIENCY Delivery chain efficiency	✓ YES	✓ YES	✗ NO	✓ YES	TEMPORARY COMPETITIVE ADVANTAGE
 DIGITAL TECHNOLOGY Digital smarti food order	✓ YES	✓ YES	✓ YES	✓ YES	SUSTAINABLE COMPETITIVE ADVANTAGE
 STANDARDISED OPERATIONS Consistent product tray	✓ YES	✗ NO	✗ NO	✓ YES	COMPETITIVE PARITY

*Simplified academic analysis of key factors.

MCDONALD'S UK VRIO ANALYSIS | Academic Report Style

Appendix C: SWOT Analysis Summary Table

Category	Key Points
Strengths	Strong global brand, efficient franchise model, economies of scale, advanced digital systems
Weaknesses	Limited menu flexibility, negative health perception, rising operational costs
Opportunities	Increased demand for value meals, digital expansion, sustainability initiatives
Threats	Intense competition, health regulations, growing substitutes, inflation and cost pressures