

Draft Research Proposal

Title of the Study

Evaluating the Financial Health of Leading Fast-Food Chains Using Profitability, Liquidity, and Efficiency Ratios: A Comparative Study of McDonald's, Starbucks, KFC, Burger King, and Domino's Pizza.

1 Introduction / Background

The global fast-food industry plays a vital role in the modern economy, contributing significantly to employment, consumer spending, and international trade. Its rapid expansion has been fueled by **globalization**, **urbanization**, and **technological advancement**, which have transformed the way consumers access and experience food services. In an era marked by digital innovation, online delivery platforms, and shifting lifestyle habits, fast-food chains have become an integral part of daily consumption patterns across the world.

Leading multinational brands such as **McDonald's**, **Starbucks**, **KFC**, **Burger King**, and **Domino's Pizza** dominate the market through extensive global networks, strong brand identities, and consistent product quality. However, these companies operate in a highly competitive and constantly evolving environment characterized by rising operational costs, changing consumer preferences toward healthier options, and economic fluctuations that affect disposable income. Maintaining financial stability and sustainable growth in such conditions requires effective financial management, strategic planning, and operational efficiency.

Evaluating financial health through **ratio analysis** is a reliable method to measure a company's performance in key areas such as **profitability**, **liquidity**, and **efficiency**. It allows investors, managers, and policymakers to understand how well a business utilizes its assets, controls its expenses, and generates returns. By applying these measures, this study aims to examine and compare the financial performance of five leading fast-food chains over a five-year period (2020–2024).

Through this comparative analysis, the research seeks to identify which companies demonstrate stronger financial stability and to explore the factors that contribute to their success. Understanding these dynamics not only offers insights into the financial health of major players in the industry but also provides practical implications for improving competitiveness, resource management, and long-term sustainability in the global fast-food sector.

2. Research Problem & Questions

While several studies have explored brand strategies, marketing performance, and consumer behavior in the fast-food industry, **limited research has focused on a detailed comparative analysis of financial health** among leading global chains. Most existing studies tend to examine individual companies or specific market segments, often overlooking the broader financial relationships and performance patterns that exist across multiple firms within the same industry.

Understanding **financial efficiency** is essential for evaluating how effectively a company manages its assets, liabilities, and operational costs to generate sustainable returns. For investors, such analysis provides valuable insight into which firms demonstrate long-term stability and profitability, supporting informed decision-making and portfolio management. For company executives and financial managers, these findings can highlight areas of operational strength and inefficiency, guiding strategies for resource allocation, cost control, and risk mitigation.

Moreover, given the fast-food industry's sensitivity to external factors such as inflation, supply chain disruptions, and changes in consumer demand, assessing financial health becomes even more critical. A robust comparative evaluation helps reveal how different firms respond to these challenges, which financial strategies are most effective, and what lessons can be drawn for improving overall performance.

Therefore, this research aims to fill an existing gap by providing a **comprehensive, data-driven comparison** of financial performance across five of the world's most prominent fast-food chains McDonald's, Starbucks, KFC, Burger King, and Domino's Pizza using key profitability, liquidity, and efficiency indicators as the basis for analysis.

Main Research Question:

How do McDonald's, Starbucks, KFC, Burger King, and Domino's Pizza compare in terms of financial health when evaluated through profitability, liquidity, and efficiency ratios?

Sub-Questions:

1. What are the trends in key financial ratios for these companies over the past five years?
2. Which company demonstrates the strongest financial stability and why?
3. What factors contribute to variations in profitability and operational efficiency among these firms?

3. Objectives of the Study

- ✓ To calculate and analyze key profitability, liquidity, and efficiency ratios for the selected companies.
- ✓ To compare the financial performance of these global fast-food chains over a five-year period.
- ✓ To identify financial strengths and weaknesses within each company's management structure.
- ✓ To provide recommendations for improving financial performance and competitiveness.

4. Preliminary Literature Review

Financial ratio analysis has long been used to evaluate corporate performance (Brigham & Ehrhardt, 2019). Studies by Atrill and McLaney (2022) highlight how profitability and liquidity ratios indicate financial stability. The Resource-Based View (RBV) theory (Barney, 1991) explains how firms utilize internal resources for sustainable advantage.

Prior research has focused on individual company performance (e.g., McDonald's financial sustainability, Starbucks' revenue diversification) but less on comparative evaluation across multiple leading fast-food chains. Recent work (Hitt et al., 2020; Gitman & Zutter, 2021) emphasizes the importance of integrating financial metrics with strategic management decisions.

This research builds on these theories to provide a cross-company comparison, using empirical data from financial reports.

5. Proposed Methodology

This research will adopt a *quantitative* approach.

Data Type: Secondary data (financial statements and annual reports from 2020–2024).

Data Collection: Company websites, Yahoo Finance, and SEC filings.

Analytical Tools: Ratio analysis (profitability, liquidity, efficiency) using Excel and SPSS.

Sampling: Purposeful selection of five global fast-food companies with comparable business models.

The results will be presented using tables and graphs to illustrate comparative financial performance.

6. Expected Contribution

The study will make a meaningful contribution to understanding the **financial performance differences** within the global fast-food industry. By conducting a comparative analysis of major players such as McDonald's, Starbucks, KFC, Burger King, and Domino's Pizza, the research will highlight how variations in financial strategies and operational structures influence profitability, liquidity, and efficiency outcomes.

For **investors**, the findings will provide valuable insights into which companies demonstrate stronger financial stability, better asset utilization, and sustainable profit margins. This information can guide more informed investment decisions and portfolio diversification within the consumer food sector.

For **managers and policymakers**, the results will identify best financial practices, common challenges, and areas where performance improvements are most needed. Understanding how top-performing companies manage costs, control liquidity, and maintain efficiency can support better decision-making and the development of effective financial management strategies across the industry. From an **academic perspective**, the study will strengthen the link between financial management theory and real-world application. By integrating ratio analysis with strategic and operational evaluation, it will contribute to the existing body of literature and serve as a reference point for future research in corporate finance, business strategy, and performance evaluation.

Ultimately, this research aims to bridge theoretical understanding and practical insights, supporting more resilient, transparent, and competitive financial management practices within the fast-food industry.

7. Ethical Considerations

As the research relies on publicly available secondary data, there are minimal ethical risks. Proper citation and acknowledgment of all data sources will be maintained. No confidential or personal data will be used.

8. Timeline / Work Plan

Task	Duration	Timeline
Topic Finalization & Proposal Approval	1 week	November 2025
Literature Review & Data Collection	3 weeks	November–December 2025
Data Analysis	2 weeks	December 2025
Draft Report Writing	2 weeks	Late December 2025 – Early January 2026
Final Editing & Submission	1 week	By 7 January 2026

9. Limitations

- The study uses **secondary data**, which may not reflect internal managerial decisions or strategic factors affecting performance.
- **Differences in accounting policies** and financial reporting standards among companies may affect the comparability of ratios.
- The **five-year analysis period (2020–2024)** may not capture long-term financial trends or structural changes in the industry.
- Non-financial aspects such as customer satisfaction, innovation, or brand equity are not included in the analysis.
- The study focuses on **five leading global chains**, so findings may not be generalizable to smaller or regional fast-food companies.

10. References

Atrill, P. and McLaney, E. (2022) *Accounting and Finance for Non-Specialists*. Harlow: Pearson Education.

Barney, J. (1991) 'Firm resources and sustained competitive advantage', *Journal of Management*, 17(1), pp. 99–120.

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Gitman, L.J. and Zutter, C.J. (2021) *Principles of Managerial Finance*. Harlow: Pearson Education.

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Yum! Brands (2020–2024) *Annual Reports*. Available at: <https://www.yum.com/investors> (Accessed: 5 November 2025).

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