

AIMING FOR A BIGGER BITE

McDonald's is giving its all to get ahead of the competition.

AFTER SEVEN LONG years in the red, moving into the black for the first time in 1990 should be a great feeling. But Golden Arches Restaurant Sdn Bhd is not about to rest on its laurels, even though the future for McDonald's looks rosy. Profits before taxation in 1991 is expected to be over 1 million rgt and to swell further in 1992.

Mohamed Shah Abdul Kadir, McDonald's managing director, is cautious. Says he, 'To turn McDonald's around is not easy because it takes time. And to turn huge losses into huge profits also takes time. But things are looking good.'

Now is the best time to get cracking to ensure that McDonald's, now that it is up, will stay up. In the pipeline are some big expansion plans, partly kicked off by the approval from the McDonald's Corporation in the United States to do franchising in Brunei.

McDonald's joint venture concern in Brunei is between Golden Arches Restaurants, with a 49 per cent stake, and Royal Brunei Trading, a wholly-owned subsidiary of the Royal Brunei Airlines, with the majority equity.

McDonald's will be opening two outlets in Brunei this year, one in Bandar Seri Begawan and the other in Kuala Belait, which according to Shah, has a huge expatriate population – a good market for burgers. In Brunei, McDonald's Malaysia is in charge of the overall management. Says Shah, 'We will run the business from the managing director's position right down to the restaurant crew. And the crew will also come from Malaysia.'

It is no secret why McDonald's wants to make it big in Brunei: Kentucky Fried Chicken (KFC), its arch rival, has still not set foot there. McDonald's is all going out to establish a stronghold. There are, however, two other fast-food restaurants in Brunei – Jolly Bee (from the Philippines) and Sugar Bun (from Sarawak). Both are doing well, but Shah is not worried. There are still many customers to go around.

And after a decade of undivided attention on the peninsula, McDonald's reckons it is time to shift its attention to Sabah and Sarawak. To start the ball rolling, it will open an outlet each in Kota Kinabalu and Kuching this year. At the same time, Shah says, he will be selecting other franchisees from Miri, Sibul, and Bintulu in Sarawak.

In the Klang Valley, a new outlet will be set up on Jalan Hang Kasturi near the Central Market and another in Jaya Jusco in Wangsa Maju. Sites have also been selected in Genting Highlands and Kajang. 'We're going to take off quite sharply in 1992,' Shah says. 'That's one of the objectives in McDonald's Vision 2000 plan.'

But site selection for the opening of new outlets is no easy task. There are several parameters to adhere to before the final decision is reached. Among them: logistics, current price of real estate, length of lease as in the case of shopping complexes, market potential, and suppliers' network.

McDonald's will normally not accept a lease if the deal is not something in the region of 8 to 12 years. And to ensure healthy sales figures, potential restaurant sites must also be natural crowd pullers like shopping complexes and high human traffic areas.

McDonald's is also currently experimenting with site which are crowd pullers in their own right, like cinemas, but which have space strains. General manager for operations Lai Si Meng says McDonald's is excited about the idea. Its first such outlet at the refurbished Federal cineplex at Jalan Raja Laut is reported to be doing well. 'It's different from our conventional restaurants and drive-throughs, but it's definitely one opportunity to seriously look into.'

The move by McDonald's to erect smaller outlets with significantly smaller floor space and built-up area, according to industry observers, is an attempt to reduce operating costs. McDonald's relies on its turnover to recoup its set-up costs. But there are other recurring expenses that also need to be taken care of like rent if the property is leased, wages, utilities like water and electricity, kitchen equipment and disposables like paper cups and napkins. A high volume of sales is necessary to sustain business.

To facilitate business in the suburbs where human traffic is significantly lower, McDonald's introduce the drive-through restaurants. It has two such restaurants, one of which is in Jalan Pahang, Kuala Lumpur which was constructed with the cost of about 5 million rgt in 1989. It is McDonald's largest outlet in Malaysia with a total build-up area of 1,115 sq m and a seating capacity of 260 people. The other drive-through is outlet is in Green Lane, Penang, which was completed in early 1991.

About 55 per cent of McDonald's sales in the United States comes from its drive-through restaurants. When the drive-through concept was introduced in Malaysia at the Jalan Pahang outlet, it was reported that about 25 per cent of sales came through it. Fully aware of the vast potential of drive-through restaurants, Shah says there are other plans to increase the number of such outlets in the near future.

Human resources pose a strain on expansion plans. 'Labour costs are rising and the market is getting tighter,' Shah says. There is currently a huge recruitment drive going on for both non-graduates and graduates. Says Shah, 'About 50 per cent of McDonald's trainee managers will come from rank and file and the remaining from colleges and universities. We want a good mix of people in the organisation. It's much healthier that way.'

According to Shah, employees who are from the rank and file have good adherence to the McDonald's marketing philosophy of quality, service, cleanliness and value, better known by its acronym of QSC&V. Graduates will bring in an 'outside view' to the business. Shah says the company does not believe in hiring the top man as a professional without being a shareholder. 'He's got to be a very hands-on manager.'

Short of being an obsession, training is an integral part of the McDonald's corporate culture. All restaurant managers and upwards will be sent for training in the McDonald's Hamburger University in Oak Brook, Illinois, where courses vary from soda-pop sociology to burgeronomics.

'Promotion opportunities are always there as long as the business keeps expanding,' Shah says. At McDonald's, training cost is proportional to growth, and according to him, it is approximately 5 per cent of the turnover.

Training is especially crucial when it comes to wastage – reducing wastage, that is. McDonald's budgets about 1 per cent of its total turnover to maintain quality. Its food holding time is 10 minutes. As such, its restaurant crew must be well-trained to reduce wastage and this involves training in estimating frequency of purchases, high demand items and so on.

In Malaysia, the McDonald's operation is partially computerised with a management information system (MIS) for the generation of reports and the consolidation of job functions. 'There is a need for outlets to be on-line with headquarters (via local area networking),' Lai says. 'All the MIS are available in the US, but we cannot afford the hardware at the moment.'

Adds Shah, 'Until unless we foresee that it makes financially viable decision to do so, we will not do it. The need for computerisation is defiantly there. But at the moment, things are still manageable.'

Consistency is also the name of the game at McDonald's. What you see is what you get. So regardless of whether it is in Malaysia, Hong Kong, the Philippines or the United States, a Big Mac *is* a Big Mac.

'McDonald's burgers must taste the same throughout the world,' Shah says. This business philosophy has resulted in annual world-wide sales of over US\$16 billion (about 43.2 billion rgt). McDonald's claimed once that if all the Big Macs it ever sold were to be laid side-by-side, they would stretch from the Earth to the moon and back 17 times. In Malaysia, over 7.5 million Big Macs have been sold to date.

Currently commanding a market share of approximately 28 per cent in the local fast food industry, second only to KFC in terms of the number of outlets, McDonald's looks to set to scale greater heights. Shah says that it is gaining market share, and in terms of over-the-counter transaction per outlet, it is leading the industry with an average of 50,000 transactions a month in 'normal' outlets. Some of its very active outlets handle 80,000 to 90,000 transactions a month.

Just how well McDonald's will perform in this decade remains to be seen. But its immediate task is working towards retiring its accumulated losses by 1995. Shah says, 'It's possible.'