World Resources Institute

Sustainable Enterprise Program
A program of the World Resources Institute

McDonald’s Case (C):
Sustaining McDonald’s Environmental Success

For more than a decade, WRI's Sustainable Enterprise Program (SEP) has harnessed the power of business to create profitable solutions to environment and development challenges. BELL, a project of SEP, helps universities, graduate schools and corporations integrate environmental issues into their educational programs, and provides new thinking about the relationship between business and the environment. To order this case visit www.wristore.com or call 1.800.537.5487. Please contact valeriev@wri.org *to obtain reprinting permission.*

This case is printed on 100% unbleached, recycled paper.

By the spring of 1993, Michael Quinlan, McDonald’s CEO, felt quite confident about his company’s environmental performance. A partnership with the Environmental Defense Fund (EDF) had won McDonald’s praise from its customers, and its efforts at waste reduction, combined with its well-publicized switch from polystyrene “clamshells” to paper-based sandwich wraps, had repositioned it as a leader in protecting the environment. However, in April 1993 another nonprofit environmental group, The Beyond Beef Coalition, targeted McDonald’s in a campaign to reduce beef consumption. This time the environmental complaints launched against McDonald’s did not criticize ancillary aspects of their business but, rather, focused on their primary products and growth markets. Quinlan did not want this campaign to diminish the reputation the company had solidified through the EDF partnership.

McDonald’s Operating Strategy

Ray Kroc, the founder of McDonald’s Corporation, based his empire on the fundamental principles of Quality, Service, Cleanliness, and Value (Q.S.C. & V.). The company, which started in 1948 as a single drive-in restaurant in San Bernardino, California, grew to become the largest food-service organization in the world. By June 1993, McDonald’s ran 2,576 company-owned stores, 9,451 franchises and 1,362 joint ventures in 65 countries.[1] In the U.S. alone, more than 18 million people visited a McDonald’s each day.[2] See **Exhibit 1** for a summary of McDonald’s financials.

Susan Svoboda, manager of the University of Michigan Corporate Environmental Management Program (CEMP), prepared this case under the guidance of Stuart Hart, director of CEMP and assistant professor of Corporate Strategy and Organizational Behavior at the U-M School of Business Administration, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. This document may be used by either students or faculty for background information. Distributed with permission from the National Pollution Prevention Center for Higher Education.

McDonald's was the second-best-known global brand, maintaining this level of consumer awareness with a $1 billion marketing budget.[3] McDonald's launched a major new ad campaign in 1991, "Great Food at a Great Value," which was successful in promoting profitable value-meal combinations. This was followed in 1992 with the largest outdoor advertising campaign ever undertaken by a single brand. Messages focused on value and customer satisfaction. High brand recognition was particularly important to McDonald's as many customers are impulse purchasers, often selecting McDonald's by the convenience of the location. Approximately 28% of company revenues were derived from franchisee fees, based on a percentage of sales collected to cover the costs of corporate services such as centralized marketing research and R&D.

Approximately 70% of McDonald's restaurants were franchises. McDonald's generally entered new countries with company-owned restaurants located in the center of major cities, franchising them after they were well established. Under the conventional franchise agreement, the franchisees supply capital, equipment, signs, seating, and decor with the company buying or leasing the land and building. The initial investment ranges from $430,000 to $560,000, 60% of which may be financed. Twenty-year franchises are awarded to applicants after extensive screening, and additional restaurants are allocated to franchisees with proven records of success.

New restaurant development was important to McDonald's growth strategy. In 1991 it introduced the "Series 2000"-design restaurants, which were about half the size of traditional restaurants but designed to accommodate nearly the same level of sales at a lower real-estate investment. This has resulted in an approximately $400,000 reduction in development costs, which lowers the facility's breakeven point. Additional locations have been opened in small towns and "satellite sites," such as outlets inside Wal-Mart stores.

A typical McDonald's restaurant may serve as many as 2,000 people a day, 60-70% of whom take food outside the restaurant. McDonald's depends on the ability of its crew to prepare hot, fresh food and to serve it to its customers within two minutes of the time they enter the restaurant. To do this, McDonald's engineering department has carefully designed the layout and equipment for its restaurants. In 1993 it reported the development of an enhanced production system that improves McDonald's ability to serve hot food quickly. This system is currently used in 80% of McDonald's U.S. restaurants for breakfast; more than half are using a more extensive system for lunch and dinner. In accordance with Q.S.C.&V., specific operating practices and careful standardization help to assure uniformity among restaurants. For example, 10 hamburgers are to be made from each pound of beef, and they are to contain no more than 19% fat.[4]

An important component of McDonald's operational strategy is to anticipate customer traffic patterns and food selection based on a detailed analysis of sales history and trends. Restaurants use this information to prepare menu items in the right quantities and at the right times to have the food ready for customers when they arrive. To ensure freshness, all food not served within 10 minutes must be discarded.

McDonald's generally does not supply food, paper, or equipment to restaurants. Instead it refers franchisees to a network of more than 600 approved suppliers with whom long-term relationships have been developed. McDonald's often holds seminars or conferences for suppliers to discuss their needs. This strategy is intended to improve McDonald's ability to focus its efforts on its core business - restaurant operations.

Product Line

In 1993, McDonald's marketing efforts focused on value meals, composed of its mainstay items: a burger, fries, and a beverage. Burgers are central to the menu; indeed, McDonald's purchases more than 1% of all beef wholesaled in the U.S.[5] Although McDonald's stated goal is to provide a "limited menu of high-quality products consistent with customer tastes," it continues to test a variety of new menu items. McDonald's feels that it address public concern regarding nutrition through a

> …combination of stringent product standards, strictly enforced restaurant operating procedures, and close

working relationships with suppliers to assure that McDonald's food is safe and of the highest quality.[6]

It also discloses nutritional and ingredient information regarding its menu items through in-store posters and brochures distributed upon request.

In the early 1990's, international expansion into new cultures and corresponding eating habits resulted in new product introductions in several locations. For example, fried egg sandwiches were available from McDonald's in Malaysia, and spaghetti was sold as a low-price alternative in the Philippines; pizza was tested in the U.S.[7] In India, where McDonald's will spend over $20 million on a chain of restaurants over the next seven years, an important new item may be a "lamburger."[8]

McDonald's was also testing Vegetable McNuggets and Cauliflower and Cheese McNuggets in a few restaurants in the UK in 1993. Burger King has offered an increasingly popular spicy bean burger in Britain for three years. McDonald's launched vegetarian burgers in Holland in 1992.[9] The burger, consisting of potato, peas, carrots, corn, onion and spices, sold for about $2.70, slightly less than a Big Mac. McDonald's new items generally receive no advertising and little sales promotion during the test period.

Fast-Food Industry

The total fast-food market in 1992 was estimated at $81.4 billion. Although the convenience offered by fast-food retailers was valued by growing numbers of families and travelers in the early 1990's, the recession and intense competition produced slower growth and sagging profits for the industry. Particularly hard-hit were independent restaurants, which found it difficult to compete with the burger chains' value-pricing strategies and large advertising budgets. As a result, independents comprised only 56% of all U.S. restaurants in 1993, down from 63% in 1986, according to Peter Oakes, a vice-president at Merrill-Lynch.[10] In fact, restaurant industry reports suggest that saturation in the "limited-menu" segment of the restaurant industry was forcing growth-oriented chains to expand overseas and explore alternate outlets domestically. According to the Restaurant Business Growth Index, real sales growth for this segment during 1990-91 was only 0.3% in the U.S.[11]

Customer satisfaction, nutrition, and value seemed to form the basis for domestic competition, although the fastest-growing restaurant chains pursued varied strategies. For example, Rally's advertised "We get it right or you get it free," Boston Chicken emphasized nutrition by roasting, steaming, and baking its dishes, and Checkers, a double-drive-through burger chain, offered made-to-order burgers at lower prices. Drive-through window sales industry-wide reached $25 billion in 1992.[12]

In contrast to the domestic scene, the international market for fast food was exploding. From the Pacific Rim to South America, foreign cultures were being introduced to American-style fast food. In 1993, Burger King had more than 900 restaurants in 45 countries, Kentucky Fried Chicken had 3,712 in 63 nations, and Domino's had 566 in 30 countries.[13] The Eastern European market offered relatively easy entrance, and the Brazilian fast-food market grew 40% in 1992, to more than $700 million with no signs of slowing down.[14] In Asia, Western-style quick-service restaurants were perceived by customers to be positive and trendy, according to a Hong Kong consulting food firm that said, "[They are] not perceived to be junk food."[15]

The Hamburger Segment

Domestic competition in the hamburger market continues to intensify. Consumer demand for lighter, more nutritious food has recently caused the major burger chains to expand their menu, yet a new type of double-drive-through restaurant has emerged to challenge the "traditional" burger chains. On one hand, major burger chains face tough competition from the casual dining restaurants such as Outback Steakhouse, Chili's and Friday's, in providing a range of reasonably priced menu items. On the other hand, they face the fast-growing double-drive-through restaurants that offer consumers a basic burger menu more quickly and at a lower cost. These franchises, such as Checkers and

Rally's, were expected to pursue aggressive domestic growth. For example, the Pepsi-owned chain of Hot'n'Now Hamburgers had plans to expand to 5,000 locations from the 700 it had in 1992. Hamburgers or cheeseburgers ranked as the most popular menu items and still accounted for 17% of all restaurant orders in the U.S. in 1992.[16] 1992 revenue from the burger chains totaled $39.5 billion. See **Exhibit 2** for a description of the top hamburger chains.

In addition to pressure from these new entrants, price wars served to dampen profit margins among the four major chains, which, by 1993, all offered value-priced items: Wendy's offered seven 99¢ items, while Burger King introduced its combination meals in 1993, followed a month later by Hardee's value-menu program.

Burger King, the world's second-largest hamburger chain, continued to expand aggressively, adding one restaurant per day throughout 1992 while trying to increase sales in existing U.S. restaurants through dinnertime table service complimented by an expanded dinner menu. Burger King achieved a 6% increase in profitability in 1992, compared to Rally's 41% increase in earnings during the same time period.

Wendy's enjoyed a 26% increase in net income in 1992, even though 30% of its sales were derived from its Super Value Menu. Improved operational efficiency and higher-than-average new-restaurant sales produced these results. Wendy's planned a minimum of 75 new international restaurants in 1993, with targets in Mexico, the Pacific Rim, and Saudi Arabia.

Competitive pressures have forced the chains to rethink their strategies. Many now consider themselves to be in competition with any business serving or selling food, such as quick-service eating establishments, mom-and-pop's, take-outs, pizza parlors, coffee shops, street vendors, convenience food stores, delis, supermarket freezers, and microwave ovens.[17] For example, McDonald's U.S. President, Ed Rensi, said he had mapped out a program to penetrate innovative domestic venues including supermarkets, airports, hospitals, stadiums, kiosks, and carts.[18]

Still, the most significant source of future growth was clearly abroad. Even with 3,355 units in 53 countries in 1991, McDonald's had barely scratched the surface of the global market. So, to ensure that the company's long-standing history of increased sales and earnings continued, Ed Rensi accelerated the international expansion in search of a greater share of the world market. Over the next several years, McDonald's expects to add 450-600 restaurants annually overseas.[19] See **Exhibit 3** for a listing of McDonald's international locations.

The Challenge of Sustainable Development

In June 1992, the United Nations Conference on Environment and Development (UNCED) held what has come to be known as the "Earth Summit" in Rio de Janeiro. While the meeting, which included representatives from nearly every nation in the world, focused on global environmental problems such as climate change and biodiversity, a central feature of the Summit was a proposed plan (Agenda 21) for industrial nations to help poor countries develop their economies without ruining the environment - to pursue "sustainable development" on a global scale.

The U.S., for example, had only 5% of the world's population, but used 25% of the energy, emitted 22% of all carbon dioxide, and accounted for 250/o of the world's GNP. India, on the other hand, had 16% of the world's population, but used only 3% of the energy, emitted 3% of the carbon dioxide, and accounted for only 1% of the world's GNP.[20] Thus, developed nations, having reaped the comforts – and environmental costs – of industrialization, wanted others to avoid their mistakes. Developing nations, on the other hand, were anxious to raise their burgeoning populations out of poverty, and did not want to pay for environmental sins they did not commit.

In 1987, the World Commission on Environment and Development defined sustainable development as economic progress that "meets the needs of the present without compromising the ability of future generations to meet their own needs."[21] Although much attention had already been given to the environmental problems related to the industrialized nations, it was the first document to clearly link third-world development issues with environmental concerns: that is, population growth and poverty in the developing world were also identified as major causes of environmental degradation. Over the next 40 years, world population was expected to double to more than 10 billion, with nearly all of this growth (95%) coming in the developing world. With world GNP at about $20 trillion, economic activity would have to increase at least 5-10 fold to provide basic amenities for this population. The World Commission and the Earth Summit stressed that this level of economic production would be environmentally destructive with current technologies and business practices.[22]

While Agenda 21 was primarily aimed at national and international governments, the Earth Summit also featured a high-profile business consortium - the Business Council for Sustainable Development - led by Swiss industrialist and multibillionaire Stephan Schmidheiny. This group of 48 CEOs of multinational corporations produced a book, *Changing Course*, that emphasized that "while industry may be a big part of the problem, it must also be a big part of the solution." [23] Since the late 1980's, several other business groups aimed at altering corporate behavior consistent with the principles of sustainable development have formed, including the Global Environmental Management Initiative (GEMI), the Coalition for Environmentally Responsible Economies (CERES), and Businesses for Social Responsibility (BSR).

Beef and the Environment

In 1993, the beef industry was a $40-billion global business, comprising approximately 1.3 billion cattle occupying nearly one-quarter of the world's landmass. According to U.S. Department of Agriculture data in 1990, nearly 40% of the world's (70% of U.S.'s) grain was fed to livestock.[24] Half of the continental United States was used by the livestock industry for crops, pasture, and range. Approximately 260 million acres of arid public range in 11 western states were leased by the government to ranchers for grazing. Federal grazing fees averaged about $2 per month per head, whereas private-market grazing fees were closer to $9. Overgrazing of public land had resulted in significant soil loss and desertification. In 1990, the U.S. Bureau of Land Management reported that 70% of its holdings were in unacceptable condition, with 10% having degraded to desert conditions. Overgrazing of the range forces cattle to feed on the remaining vegetation along stream-banks, resulting in floods that carry away soil and accelerate the decline of the land.

Globally, extensive overgrazing is leading to a steady decline in per-capita beef production. If feedlots are used to supplement beef production, grain harvests will need to grow by seven million tons annually, roughly two-thirds of the historical annual increase in the world grain harvest. However, there is little new fertile land to be farmed, and many existing farmers are already using advanced yield-raising technologies, reducing the likelihood that the gain will be achieved through increased productivity. If population grows as projected at 90 million people annually, and grain output does not increase over current levels, per-capita supplies of grain will continue to diminish by two percent annually.[25]

In 1993, the U.S. imported only five percent of its beef from Central America. However, since 1960 more than 25 percent of the forests in Central America have been cleared to create pastureland for cattle.[26] It has been estimated that each rain-forest hamburger requires the clearing of six square yards for pasture.[27] Such a swath would typically include one large tree, 50 saplings of 20-30 species, thousands of insects comprising hundreds of species, and an unknown diversity of mosses, fungi, and microorganisms.[28] Clearing the same piece of rain forest would release 165 pounds of carbon dioxide into the atmosphere - the amount released by a typical American car in a 20-day period.[29]

It is estimated that between 1966 and 1983, 15,000 square miles of Amazon rain forest were cleared for large-scale cattle production.[30] A United Nations report predicted that if deforestation of the Amazon continued at its 1987 rate until the year 2000, more than 15% of the plant species and an unknown but significant percentage of insect species would be lost.[31] The clearing of land for large-scale cattle production has also forced millions of rural peasants to the already overcrowded cities of Latin America. Worldwide, deforestation accounts for nearly one-third of all greenhouse-gas emissions, with the burning of fossil fuels accounting for the other two-thirds.[32] See **Exhibit 6** for more information on beef production in various countries.

The efficiency with which grain and feed is converted to meat varies greatly by animal. For example, in order to produce one pound of meat, chickens must consume 4.5 pounds of grain, pigs must consume 6.5 pounds, and cattle must consume 15.5 pounds.[33]

Large quantities of energy and water are also used to grow the grain required to feed livestock. Almost half of the energy used in American agriculture goes into livestock production, the majority of it for meat production. In fact, according to Cornell University data, the amount of energy used to produce one pound of beef is equivalent to .25 gallons of gasoline. In addition, according to an animal science expert at the University of California-Davis, half of the grain and hay fed to U.S. livestock grows on irrigated land. Each pound of grain-fed beef requires about 2,500 gallons of water. For the typical American, this is about 190 gallons/person/day – twice the amount used at home each day for all purposes.[34] See **Exhibit 4** for more information regarding water usage. In California, livestock production takes nearly one-third of all irrigation water used.

Pesticides and fertilizers used in grain production also place a burden on the environment, since much of the grain treated is fed to cattle. 1993 pesticide sales for corn, rice, cotton, soybeans, and wheat surpassed $21 billion globally. In 1993, 8.2 million tons of fertilizer were used in the production of corn, 1 million tons for soybeans, and 3 million tons for wheat. Pesticides and fertilizers used in grain production appeared to contaminate surface and ground water. Lumping together animal wastes and feed fertilizers, livestock production accounted for about 40% of the nitrogen and 35% percent of the phosphorus released into U.S. rivers, lakes, and streams.[35] Cattle and other ruminants also emit methane, a potent greenhouse gas, as they digest grass and other fibrous plants. Indeed, each head of cattle belches out about a third of a pound of methane for every pound of beef it yields.[36] See **Exhibit 5** for information regarding sources of methane.

While per-capita beef consumption in the U.S. has declined since 1976, the average American still eats 65 pounds of beef per year – 23% of all the beef produced in the world.[37] Only about 12.4 million Americans describe themselves as vegetarians, according to a 1992 survey by *Vegetarian Times*[38]. For most of the world, however, a low-meat diet is the norm. Worldwide, only about one in four people eat a meat-centered diet. Historically, as income rises, so does meat consumption. For example, per-capita consumption of red meat in Japan has doubled since 1975. Koreans and Taiwanese appear to be following a similar pattern. See **Exhibit 7** for information regarding per-capita beef consumption of several countries. To support the world's current population of 5.3 billion on an American-style diet would require as much energy as the world now uses for all purposes, along with 2.5 times as much grain as the world's farmers currently produce.[39]

Where's the Beef?

The Beyond Beef Coalition saw the spread of the "cattle culture" to the developing world as one of the greatest threats to the global environment. The Coalition was comprised of individuals and organizations interested in environmental protection, animal rights, public health, and world hunger (see **Exhibit 8** for a list of members). Like the Environmental Defense Fund, this group targeted McDonald's for its campaign because it was the industry leader, and one of the largest users of beef in the world.

The Coalition's goals were: to reduce individual beef consumption in the U.S. by at least 50%; to replace beef in the diet with organically raised grains, legumes, vegetables and fruits; to reform current cattle-industry practices; and to promote humanely and organically raised beef as an alternative for those who continue to include some beef in their diet.[40]

The goal for the McDonald's campaign was to inform at least 1 million McDonald's customers about beef's harmful impact of on the environment through an extensive in-person campaign at 1,000 locations across the country. On April 17, 1993, thousands of Beyond Beef volunteers gathered outside McDonald's restaurants to hand out leaflets and children's literature and to inform customers about the "real" social and environmental costs associated with beef. See **Exhibit 9** for a sample of campaign literature. They also collected names on petitions in an effort to encourage individuals to reduce their beef consumption by 50%, to encourage McDonald's to add a vegetarian item to their U.S. menu, and to commit 25% of advertising to the new item.

Reactions to the campaign were varied. “There’s nothing wrong with eating beef— it’s American” said one customer regarding the campaign.[41] However, another approached by a Beyond Beef campaigner said, “If McDonald’s had it [a meatless burger], I would try it in a second.”[42] Dave Santoro, a franchise owner, said, “If enough customers wanted it, we’d have it. … We have salads, cereals, hotcakes. We didn’t just dream those up. The consumers asked for them.”[43]

Kim Poston, marketing manager for McDonald’s in San Jose, said that the Beyond Beef campaign was “an assault on small business - and that Beyond Beef is a “fringe activist group that doesn’t really reflect what our customers want.”[44] McDonald’s spokesperson Ann Connally added, “Ultimately, it’s our customers who decide what we serve, and our customers tell us they’re not interested in that kind of a product.”[45] Howard Lyman, former cattle rancher and current Executive Director of Beyond Beef, responded: “It’s the same mentality as General Motors that said there’s no market for small cars. Large corporations can’t see the future because the present is so good for them.”[46]

END NOTES:

[1] "Making Up for Lost Time." *Fortune,* Oct. 18, 1993; and *1993 Annual Report,* p. 3.
[2] EDF Task Force Final Report, p. 22.
[3] *McDonald's 1991 Annual Report*, p. S4.
[4] Rifkin, J. *Beyond Beef,* p. 269.
[5] Ibid., p.267.
[6] *McDonald's 1993 Annual Report*, p. 5.
[7] "When Worlds Collide." *Restaurant Business,* July 1, 1993, p. 56.
[8] "Silver Lining, Golden Arches." *The Economist,* February 13, 1993, p.41.
[9] "McDonalds Tests Vegetable McNuggets." *Marketing,* July 29, 1993, p.5.
[10] "The Hunger Pangs Let Up a Little." *Business Week,* January11, 1993, p.97.
[11] "25th Annual Growth Index: Limited Menu—Flat as a (Beef) Patty." *Restaurant Business,* September 20, 1992.
[12] "Can Lightning Strike Twice?" *Restaurant Business,* Aug. 10, 1993.
[13] "When Worlds Collide." *Restaurant Business,* July 1, 1993.
[14] Fast-food franchises fight for Brazilian aficionados." *Brandweek,* June 7, 1993.
[15] "Hot Wings Take Off." *Forbes,* January 18, 1993, p.74.
[16] "Hamburger Market Segment Report." *Restaurant Business,* January 1, 1992.
[17] *McDonald's 1993 Annual Report,* p. 7.
[18] "McDonald's Steps Up Overseas Push." *Restaurants and Institutions,* August 15, 1993, p.14.
[19] *McDonald's 1993 Annual Report,* p. 2.
[20] "Summit to Save the Earth." *Time,* June 1,1992, p. 42-43
[21] Schmidheiny, Stephan. *Changing Course,* p. 6
[22] MacNeill, Jim. "Strategies for Sustainable Economic Development." *Scientific American,* September, 1989.
[23] Business has Message for Rio Meeting." *New York Times,* June 2, 1992.
[24] Durning, Alan. "Fat of the Land." *World Watch,* 1991, p.11.
[25] *State of the World—l994,* Worldwatch Institute Report, pp. 181,182, and 186.
[26] "A Reporter at Large: The Rain Forests." *New Yorker,* January 14, 1985, p. 79.
[27] Rifkin, p. 192.
[28] Durning, p. 15.
[29] Brown, Sandra, (University of Illinois forestry professor), cited in Durning, p. 15.
[30] Parsons, James. "The Whole Earth Review," Spring, 1988.
[31] *Our Common Future,* Oxford University Press, 1987.
[32] Steven Schneider. "The Changing Climate." *Scientific American,* September 1989.
[33] USDA Economic Research Service, 1994.
[34] Water Education Foundation.
[35] Durning, p. 16.
[36] lbid.
[37] "Beyond Beef." *Utne Reader,* March/April 1992.
[38] "For Folks Who Don't Care Where's the Beef," *The New York Times,* Dec. 9, 1992.
[39] Durning, p. 17.
[40] Beyond Beef campaign literature, Spring 1993, Vol.11, Issue I.
[41] "Activists to McDonald's: Where's the Beef Alternative?" *Reno Gazette-Journal,* April 18, 1993.
[42] A Veggie Protest at Fast-Food Chain." *The Honolulu Advertiser,* April 18, 1993.
[43] What's their beef? Gas." *Burlington County Times,* April 18, 1993.
[44] "Anti-Beef Group Lobbies McDonald's," *Santa Cruz Sentinel,* April 18, 1993, and "Area Protesters Have a Beef with McDonald's," *Times-Standard,* April 17, 1993.
[45] "Here's His Beef." *Chicago Tribune,* April 15,1993.
[46] Ibid.

EXHIBIT 1: 11-YEAR SUMMARY

EXHIBIT 1: 11-YEAR SUMMARY

(Dollars rounded to millions, except per common share data and average restaurant sales)

	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
System-wide sales	$19,928	$18,759	$17,333	$16,064	$14,330	$12,432	$11,001	$10,007	$8,687	$7,809	$7,129
U.S.	12,519	12,252	12,012	11,380	10,576	9,534	8,843	8,071	7,069	6,362	5,770
Outside U.S.	7,409	6,507	5,321	4,684	3,754	2,898	2,158	1,936	1,618	1,447	1,359
System-wide sales by type											
Operated by franchisees	12,959	12,017	11,219	10,424	9,452	8,422	7,612	6,914	5,929	5,239	4,788
Operated by the Company	4,908	5,019	4,601	4,196	3,667	3,106	2,770	2,538	2,297	2,095	1,916
Operated by affiliates	2,061	1,723	1,513	1,444	1,211	904	619	555	461	475	425
Average sales, restaurants open at least 1 yr. (in 1,000s)	1,658	1,649	1,621	1,596	1,502	1,369	1,296	1,264	1,169	1,132	1,113
Revenues, frnchsd. rstrnts.	1,787	1,621	1,465	1,325	1,186	1,037	924	828	704	620	561
Total revenues	6,695	6,640	6,066	5,521	4,853	4,143	3,694	3,366	3,001	2,715	2,477
Operating income	1,679	1,596	1,438	1,288	1,160	983	905	812	713	613	552
Inc. before prov. for inc. taxes	1,299	1,246	1,157	1,046	959	848	782	707	628	546	482
Net income	860	802	727	646	549*	480	433	389	343	301	265
Cash provided by operations	1,423	1,301	1,246	1,177	1,051	852	813	701	618	505	434
Financial position at year-end											
Net property and equipment	9,559	9,047	7,758	6,800	5,820	4,878	4,164	3,521	3,183	2,765	2,497
Total assets	11,349	10,668	9,175	8,159	6,982	5,969	5,043	4,230	3,727	3,263	2,899
Long-term debt	4,267	4,429	3,902	3,111	2,685	2,131	1,638	1,268	1,171	1,056	926
Total shareholder equity	4,835	4,182	3,550	3,413	2,917	2,506	2,245	2,009	1,755	1,529	1,371
Per common share											
Net income	$ 2.35	$ 2.20	$ 1.95	$ 1.71	$ 1.45*	$ 1.24	$ 1.11	$ .97	$ .85	$ .74	$ .65
Dividends declared	.36	.33	.30	.27	.24	.21	.20	.17	.14	.12	.09
Year-end shareholder equity	13.48	11.65	9.81	9.09	7.72	6.45	5.67	4.94	4.38	3.78	3.37
Market price at year-end	38	29 1/8	34 1/2	24 1/8	22	20 1/4	18	11 1/2	10 1/2	9	6 1/2
System-wide restaurants at year-end	$12,418	$11,803	$11,162	$10,513	$9,911	$9,410	$8,901	$8,304	$7,778	$7,259	$6,739
Operated by franchisees	8,735	8,131	7,573	7,110	6,760	6,406	6,150	5,724	5,371	4,911	4,580
Operated by the Company	2,547	2,643	2,691	2,600	2,399	2,301	2,165	2,053	1,949	1,846	1,746
Operated by affiliates	1,136	1,029	898	803	752	703	586	527	458	502	413
Systemwide restaurants at year-end:											
U.S.	8,764	8,576	8,270	7,907	7,567	7,272	6,972	6,595	6,251	5,918	5,554
Outside U.S.	3,654	3,227	2,892	2,606	2,344	2,138	1,929	1,709	1,527	1,341	1,185
Number of countries at year-end	59	53	51	50	47	46	42	36	32	31	30

*Before the cumulative prior years' benefit from the change in accounting for income taxes.

EXHIBIT 2: TOP 10 HAMBURGER CHAINS

Rank	Chain	U.S. Sales ($000)	U.S. Units
1	McDonald's	12,519,400	8,764
2	Burger King	5,330,000	5,557
3	Hardee's/Roy Rodgers	3,580,000	3,954
4	Wendy's	2,940,000	3,414
5	Jack-in-the-Box	977,000	1,094
6	Carl's Jr.	629,000	210
7	Sonic Drive-Ins	518,765	1,112
8	Whataburger	338,000	446
9	White Castle	302,549	257
10	Rally's	221,100	333

Source: 1992 Technomic Top 100

EXHIBIT 3: SYSTEM RESTAURANTS

	1992	1987
United States	8,959	7,567
Australia	338	204
Brunei	1	0
China	4	3
Guam	4	3
Hong Kong	62	36
Indonesia	5	0
Japan	956	604
Macao	3	1
Malaysia	31	15
New Zealand	61	28
Philippines	47	13
Singapore	44	23
South Korea	15	0
Taiwan	67	22
Thailand	16	2
Total Pacific	1,653	951
Andorra	1	1
Austria	35	20
Belgium	16	9
Czech Republic	3	0
Denmark	21	7
England	429	255
Finland	14	4
France	239	61
Germany	438	262
Greece	2	0
Hungary	10	0
Ireland	16	8
Italy	16	4
Luxembourg	2	2
Monaco	1	0
Morocco	1	0
Netherlands	83	43
Norway	10	2
Poland	3	0
Portugal	4	0
Russia	1	0
Scotland	24	1
Spain	50	25
Sweden	59	29
Switzerland	32	14
Turkey	14	2
Wales	15	6
Yugoslavia	6	0
Total Europe/Africa	1,549	755

	1992	1987
Canada	658	539
Argentina	18	3
Aruba	1	1
Bahamas	4	3
Bermuda	1	1
Brazil	107	37
Chile	3	0
Costa Rica	8	4
Cuba	1	1
El Salvador	3	2
Guadeloupe	1	0
Guatemala	6	3
Martinique	1	0
Mexico	56	5
Netherlands Antilles	3	3
Panama	10	8
Puerto Rico	40	22
Uruguay	2	0
Venezuela	6	3
Virgin Islands	3	3
Total Latin America	274	99
Outside of the U.S.	**4,134**	**2,344**
Systemwide Restaurants	**13,093**	**9,911**

Source: McDonald's Annual Report, 1992, 1987