

McDonald's: Making value visible across a franchised system

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McDonald's had a value question to answer. On April 30, the company reported U.S. comparable sales growth of 2.5% for the first quarter, down from 12.6% in the year-earlier quarter. Results remained positive, but the growth rate had slowed. Management said U.S. performance benefited from average-check growth driven by strategic menu price increases, restaurant-level execution, core-menu marketing, and digital and delivery growth. The release did not separate transactions from average check or estimate the effect of any one factor. It did not show that customer value perceptions caused the slower growth. [1]

The question was what kind of value proposition McDonald's should make most visible. Should the company emphasize a simple national offer that customers could recognize without opening the app? Should it make app-personalized offers the primary channel and consider locally tailored promotions? Or should it coordinate a limited public offer with targeted digital offers and test the combination before deciding whether to scale?

That choice reached beyond the menu board. At year-end 2023, about 95% of U.S. McDonald's restaurants were franchised. Franchisees operated their restaurants independently, while conventional franchise rent and royalties included components tied to sales. McDonald's also identified franchisee financial health, cooperation, and alignment on value and promotional plans as important to the system. A national offer might strengthen a common price signal and direct more visits to the brand, yet its discounts, workload and product mix could affect individual restaurants differently. The public filings did not disclose current offer-funding rules or average franchisee margins. [2]

A growth signal with several possible explanations

In 2023, U.S. comparable sales increased 8.7%. McDonald's said growth primarily reflected average-check increases from menu price increases, with successful menu and marketing promotions and digital and delivery growth also contributing. In the first quarter of 2024, U.S. comparable sales rose 2.5%. Those figures combined guest counts and average check; pricing and product mix affect average check. A sales result alone could not show whether visits, pricing, or mix had changed. [1, 2]

Management described a broad competitive environment. Customers could compare McDonald's with quick-service and other food-service options on price, convenience, service, experience, menu variety and product quality. A price offer could reinforce affordability, but value could also depend on speed, order accuracy, product execution and convenience. The disclosed results did not rank these factors for U.S. customers or provide transaction trends by customer segment. [2]

Digital channels offered another possible route. McDonald's reported more than \$6 billion in systemwide sales to loyalty members across 50 markets in the quarter and nearly \$25 billion over the trailing twelve months. These totals covered sales at both franchised and company-operated restaurants to customers who identified themselves as loyalty members. They were not U.S.-only figures and did not measure incremental spending caused by loyalty or app offers. App users may differ from customers who do not use the app. [1, 2]

The system therefore faced a design problem. A broadly advertised offer could make a price point easy to understand and coordinate expectations across restaurants. A targeted offer could vary by customer or market and limit exposure. A staged approach could combine a visible offer with digital targeting, while collecting evidence before a wider commitment. Each approach depended on data the company had not disclosed: eligible items, offer duration, app reach, discount funding, franchisee participation, item contribution, substitution, and operating effects at peak periods.

A historical clue-and its limits

Research on McDonald's earlier U.S. Dollar Menu campaign suggests that public price advertising can affect more than the featured item. Ater and Rigbi studied restaurant prices in Santa Clara County before and after the 2002 campaign. In their Big Mac meal comparison, the price gap between franchised and company-operated restaurants narrowed from 12.5% to 3.2%; they found price changes concentrated among meals with close substitutes for promoted items. The study's outcome was relative menu prices, not sales, traffic, franchisee profit, or promotion lift. Its historical, single-county findings do not estimate the return from a 2024 national offer. [3]

The finding nevertheless raised a strategic question: could a nationally visible offer coordinate a consistent value message, while also changing customer reference prices or shifting demand among menu items? If customers traded down from a higher-priced meal, redemptions might rise without creating equivalent incremental contribution. If an offer brought in new or more frequent visits, the system might gain even if the average check fell. The available evidence did not resolve which response would dominate.

The choice

Assume you are advising McDonald's U.S. leadership on its value-policy design. The following are analytical alternatives; the public record does not say the company had formally approved them.

1. **A simple national offer.** Promote a limited, easy-to-understand entry-price item or bundle through broad channels. This could create a clear public signal and coordinate customer expectations. Consider discount funding, franchisee participation, item substitution, peak demand and the possibility that a temporary price becomes a reference point.
2. **App-personalized or locally tailored offers.** Design offers for app audiences or adapt them to local markets. This could tailor exposure and preserve local flexibility. Consider reach among customers outside the app, offer complexity, customer understanding, and whether local variation weakens a consistent national value message.
3. **A staged coordinated test.** Pair a visible but bounded public offer with targeted digital offers in selected markets or restaurants, then evaluate before expanding. This could generate decision-relevant evidence, but depends on willing operators, clear funding rules, comparable locations and useful transaction and cost data.

Which design should McDonald's choose, and what would change your recommendation? Specify how you would distinguish new visits from offer redemptions, switching, purchases moved forward, and customers shifting to lower-priced items. Consider franchisee economics separately from franchisor revenue, and state what evidence you would require before broadening or ending a program.

Selected sources

1. McDonald's, "McDonald's Reports First Quarter 2024 Results," April 30, 2024. [Company release](#), pp. 1-3 (comparable sales, management attribution, loyalty sales and definitions).
2. McDonald's Corporation, 2023 Form 10-K, filed February 22, 2024. [SEC filing](#), annual report pp. 6-11 (marketing, competition and strategy); pp. 14-16, 20-21 and 28-29 (franchising, revenue, restaurant ownership and risks); Note 13, pp. 51-52 (franchising arrangements).
3. Itai Ater and Oren Rigbi, "Price Control and Advertising in Franchising Chains," *Strategic Management Journal* 36(1), 148-158 (2015). [DOI and article](#), especially pp. 3-9 and Table 2, p. 7.