

# Quick-Service Restaurants: McDonald's Corp.

COMPANIES: BKC, MCD

## MCD Sales Growth Continues

**McDonald's June sales were at least in line with expectations in all regions but Germany, where sales deteriorated.**

- U.S. June sss up 3%-6% yy; nearly all sources meeting/exceeding plan; transaction counts and tickets averages up yy
- German sss flat-down slightly yy because of weak promos, deteriorating economy; customer pushback postpones planned price increases
- U.K. sss up 6%-9% yy; heavy TV advertising and brand strength bolstering transaction growth; some evidence of economic pressure
- French sss up 7%-10% yy; discount menu more popular as economy tightens
- Russian sss up, driven by economic development and price hikes; Chinese sss up 5%-8% yy
- Rising food costs pressuring margins worldwide

### EXECUTIVE SUMMARY

**McDonald's Corp.**'s June global same-store sales increased yy, driven by strong sales in the United States and all European countries except Germany, as well as China. However, many said 2Q08 food and labor costs were difficult to manage. Most raised menu prices in response to higher costs, but many said the pressure on profits was becoming more difficult to counter, and margins were shrinking. U.S. sales were fueled by transaction-driving value promotions. Breakfast sales were strong because of value promotions and the new Southern Style Chicken Biscuit. German yy sales growth deteriorated from the April report because of a weak national promotion and the economy. U.K. sales were up yy, pushed by a strong promotion, but momentum slowed slightly. In France, sales grew as the "P'tits Prix" value menu was popular among increasingly cautious consumers. Sales in China increased because of the company's value-pricing strategy. Russian sales increases were attributed to a strengthening economy that increased customer transactions.

### KEY DATA

**June SSS YY** (number of sources)

	U.S.	U.K.	GERMANY	FRANCE	RUSSIA	CHINA
Up 16%-20%	1	1	-	1	-	-
Up 11%-15%	1	2	-	3	-	2
Up 6%-10%	10	4	2	4	1	8
Up 1%-5%	16	3	4	5	-	-
Up < 1%	1	1	-	-	-	-
Flat	4	-	1	-	2	3
Down 1%-5%	3	1	1	1	-	-
Down 6%-10%	1	-	4	-	-	1
Average	Up 3%-6%	Up 6%-9%	Flat-down slightly	Up 7%-10%	Not averaged	Up 5%-8%
March average	Flat-up 3%	Up 9%-12%	Up 9%-12%	Up 7%-10%	Not averaged	Not averaged

### SOURCES & BACKGROUND

**112 McDonald's managers and owner/operators/representatives** representing 360 locations in the United States, Europe, Russia and China

**UNITED STATES** 40 managers and owner/operators/representatives representing 100 locations; **EUROPE** 40 managers and owner/operators representing 228 locations (12 in Germany representing 107 locations, 14 in France representing 96 locations, and 14 in the United Kingdom representing 25 locations); **RUSSIA** 12 sources representing 12 locations; **CHINA** 20 sources representing 20 locations

**REPEAT SOURCES** 63 (18 in the United States, 18 in China, 9 in Russia, 8 in France, 5 in Germany, and 5 in the United Kingdom) from OTR Global's April report, 11 from the June U.S. sound byte

**INTERVIEWS** European and Chinese interviews June 16-27; U.S. interviews June 23 through July 7

**BACKGROUND** McDonald's and its franchises operated more than 31,000 restaurants globally during 2007, with more than 13,000 in the United States. Europe represented 39% of total revenue, while the United States accounted for 35% and APMEA and other regions make up the remainder.

"The Dollar Menu is definitely more appealing now than it was a year ago."

*U.S. restaurant manager*

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## UNITED STATES

### Beverage and breakfast accelerate sales

U.S. June same-store sales increased an average 3% to 6% yy, and nearly all sources met or exceeded plan. Almost all said sales momentum was the same or accelerated mm, driven by strong beverage and breakfast sales. Economic pressure increased the popularity of the Dollar Menu and summer \$1 drinks promotion. "The Dollar Menu is definitely more appealing now than it was a year ago," a source said. Managers said customers were increasingly trading down from sit-down restaurants, with more family orders on weekends and evenings for some. Two sources said economic stimulus checks were helping sales. "I cannot explain our strong May and June sales, except for the economic stimulus checks," a franchisee said.

Transaction counts increased yy for almost three-fourths of sources, who credited the company's strong value message, including \$1 32-oz. drinks and the Dollar Menu. National coupons distributed at the end of May for free Southern Style Chicken Sandwiches and Biscuits introduced customers to the new product and also boosted transactions. A few managers experienced a spike in Big Mac transactions because of local TV advertising, and a few said improved service speed increased repeat visits. Two said the *Kung Fu Panda* Happy Meal promotion performed better than most Happy Meals, helping transactions.

Ticket averages increased yy for more than one-half of sources because of recent menu price increases, which helped offset the lower ticket averages that resulted from the Dollar Menu popularity. Two said the recent addition of higher-priced specialty coffee also helped ticket averages. Three said some local markets promoted free Coke glasses with the purchase of an Extra Value Meal, which also had customers spending more yy.

June promotions met or exceeded goals for nearly all sources. Managers said the \$1 drink promotion was most effective at driving store traffic. Sales of Sweet Tea — new to most markets — exceeded goals for nearly one-half of sources because the \$1 price point appealed to many customers. "We are selling over 300 Sweet Teas per day. After lunch, we have to make a fresh batch about every 20 to 30 minutes to keep up with demand," one said.

### Value and new product drive breakfast

Breakfast sales increased yy and met or exceeded plan for almost all sources. Breakfast traffic was driven in most markets by two-for-\$2, two-for-\$3 or two-for-\$4 breakfast sandwich promotions (price varied by market). "The two-for-\$2 deal has a lot of appeal, especially for travelers," an interstate store manager said. The Dollar Menu also attracted many customers with popular value items such as the Sausage Biscuit.

The new Southern Style Chicken Biscuit met or exceeded goals for most and boosted breakfast sales. "Chicken for breakfast has really taken off," a Northeastern manager said. Although some said sales of the new item were mostly coupon-driven, some already had regular Chicken Biscuit customers who were returning regularly for the product and customizing the sandwich with additions such as cheese and eggs.

Coffee continued to be a top seller during breakfast. Two sources selling the specialty coffee — including espresso, lattes and cappuccinos — said the new product helped boost sales. However, one source said the national rollout of the coffee drinks was slowing because of a backlog in equipment production. "We were initially scheduled to introduce the new coffee this fall, but have been

"I cannot explain our strong May and June sales, except for the economic stimulus checks."

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rescheduled for first quarter of 2009," a franchise representative said. Several said iced coffee sold well all day, but sales were slightly overshadowed by the popularity of the \$1 Sweet Tea.

## Prices continue to rise

More than one-half of sources raised menu prices approximately 3% to 5% during the previous three months, with price hikes commonly on Extra Value Meals and drinks. Since April, two stores removed the Double Cheeseburger from their Dollar Menus, increasing prices on the popular burger by about 20¢ to 30¢. Managers said the company was displeased with local changes, and one reported customer pushback as Double Cheeseburger unit movement decreased. Although many said general menu increases went mostly unnoticed by customers, several said the increases were not enough to offset rising food costs.

## Budgets more difficult to control

One-half of sources said 2Q08 food costs were over budget. Although most responded by raising menu prices, sources said vendor costs increased at a higher rate than they believed they could raise prices, pressuring margins. Two said chicken and dairy increased the most during 2Q08. Managers were implementing tighter in-store cost controls to help combat the problem and tracking usage of all products. One said he was training his crew to ask customers how many ketchups they needed, rather than giving them a handful of packets. He also said some stores in his region were charging for additional condiments, such as 11¢ for an extra barbecue sauce.

Many also blamed increased food costs on the new trans-fat free oil. Managers said the oil was more expensive because it required changing more often, so stores had to use more of it. Oil usage was high during the month because of high sales of the Southern Style Chicken products, and product giveaways with a national coupon also hurt food costs. Stores halted serving tomatoes for approximately seven to eight days during the month because of the nationwide salmonella scare. One manager said the supplier absorbed the cost of unused tomatoes, so there was no negative effect on budget. Although labor costs were in line for most, one-fourth of sources said labor costs exceeded budget.

## GERMANY

### German sales stumble, miss plan

In Germany, June same-store sales were flat to down slightly on average yy — deteriorating from OTR Global's April report on March sales — and falling below plan for most sources. Surprised managers cited a disappointing promotion — McDonald's Rubbel Euro 2008 (May 25 through June 29) — which fell below expectations for most sources. Several said the lottery was too complex and spotlighted too many items (including three chicken wraps, three burgers, promotional schnitzels, potatoes, salad and ice cream), which confused customers who perceived the prizes were too difficult to win. Some complained the promotion too closely followed December's Monopoly game. "Once a year, a Monopoly lottery promotion is great and attracts many guests. We've definitely overdone it with the current Euro 2008 promotion. The lottery's appeal has worn off," one said. However, the "M Burger," which launched in April, was featured as a promotional item in the lottery, and several managers said it was the promotion's high point. One said June M Burger sales met expectations but were not enough to offset weak sales of other promotional products. Another said

"Once a year, a Monopoly lottery promotion is great and attracts many guests. We've definitely overdone it with the current Euro 2008 promotion. The lottery's appeal has worn off."

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while the M Burger was selling well, it was not the match for **Burger King Holdings Inc.**'s Whopper, as the company had hoped.

Many managers located near public large-screen viewing events, which drew thousands of German soccer fans, of the Euro 2008 football tournament (taking place in Austria and Switzerland) anticipated an increase in store traffic before and after games. However, those increases were offset by a significant slowdown in traffic during match play, and did not result in incremental transaction growth. "We are shocked by how sales plummeted in June, as there were no signs indicating that this could happen," a manager said. Managers also said increasing consumer caution was hampering traffic and transactions.

## Price increases help tickets, hurt transactions

Ticket averages increased slightly for slightly more than one-half of sources, mostly because of recent menu price increases. In April, most stores took the first step in a planned three-tier price increase for 2008. Some managers said the initial price increase (approximately 10¢ on meals and large sandwiches) may have hurt June sales, as German consumers became more cautious in the wake of steadily rising costs of living; one-half of sources said the economy was hurting sales. As a result, the second increase was postponed from July until September. Most managers were against further increases during 2008, but operators said it would be necessary to protect profit in response to rising food, labor and energy costs. Overall operators' enthusiasm has deteriorated since OTR Global's April report.

Some managers said traffic was boosted slightly during the last two weeks of the month when the company launched a national coupon mailing (June 19 through July 13) featuring BOGO offers and menu upgrades. But in the end, many were not satisfied with the coupons' sales-driving ability, and said the coupon's positive effects were not enough to offset overall weak June sales. Although general sentiment about the near future was mixed, most managers were optimistic about the potential of the Asia Weeks promotion, which began June 30. Sources also said the company was scheduled to launch the long-awaited breakfast program in September, with a national rollout to be complete by February. Managers said the company is testing many new products for its American-style breakfast, and the popular McGriddle sandwich was slated to be on the new menu.

## UNITED KINGDOM

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### Promo, brand push sales growth

U.K. June same-store sales increased an average 6% to 9% yy, meeting or exceeding plan for most sources. Momentum deteriorated slightly mm, following better-than-expected traffic levels in May, when schools were on holiday. Most sources said the poor economy was helping sales and the company was gaining share, but some were beginning to notice more consumers staying home because of fuel, food and housing costs.

Traffic and transactions increased yy for almost three-fourths of sources, driven by heavy TV advertising of the Great Tastes of America (GTA) promotion (May 29 through June 24), which most said met or exceeded goals. Continued confidence in the brand and the company's broader menu options also continued to draw additional customers. "Consumer perception of McDonald's has improved, and we've come a long way in reestablishing ourselves. It's so different to a year ago and sales just keep going up," a manager said. Fuel strikes slowed traffic slightly at some stores

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located near gas stations that were closed during the second and third weeks of June. Almost one-half of sources said sales momentum slowed compared with April, when sources said the Monopoly promotion was significantly boosting sales.

Ticket averages also increased yy for almost all sources because of recent menu price increases. Some credited the continued trend toward bigger premium burgers — such as the California Classic, Miami Melt, New York Supreme and Arizona Grande, which were spotlighted during the Great Tastes of America promotion — as well as add-on purchases of promotional onion rings and an Oreo McFlurry.

## Transactions unaffected by price increases

Responding to rising food costs, almost all sources recently increased menu prices approximately 10 pence on meals and drinks. Sources said the increases had little effect on transactions, since consumers are becoming accustomed to price increases and prices still were competitive within the market. “We’ve increased prices three times over the past few months. The customer doesn’t seem to notice, which is a relief. We were a bit concerned when Happy Meals went up by 20 pence,” a source said.

One-half of sources said food costs were over budget and blamed poor waste management and delays in increasing menu prices. Labor costs were in line with budget for most. Although several said rising costs resulted in lower margins, several also were not concerned by margin pressure.

“In the current economy, with price hikes the norm, McDonald’s remains cheaper than most competitors in the area.”

## FRANCE

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### P’tits Prix Menu appeals to cost-conscious

France’s June same-store sales increased an average 7% to 10% yy — in line with OTR Global’s April findings — meeting or exceeding plan for almost all sources. Sales were driven primarily by transaction growth, which were boosted by the increasing appeal of the lower-priced P’tits Prix menu in a weakening economic environment. “In the current economy, with price hikes the norm, McDonald’s remains cheaper than most competitors in the area,” a manager said. Some sources said a wider range of offerings — including three new desserts and specialty coffees such as cappuccino, latte and espresso — attracted new customers. In addition, notepad computers introduced by many stores earlier in the year continued to speed up service and increased repeat traffic.

Ticket averages increased slightly for most sources because of recent menu price increases, which ranged from 10¢ to 50¢ on select items. Add-on sales of coffees, desserts and P’tits Prix items also boosted tickets. Higher-priced promotional items, such as the recently introduced M Burger and Chicken Mythic, met sales goals and also boosted ticket averages.

### Cost increases outpace menu price hikes

Most managers reported menu price increases during the past year but said they were not enough to offset ongoing food cost increases. As a result, food costs were over budget for more than one-half of sources. Almost one-half also were over budget for labor costs because of an unexpected minimum wage increase at the beginning of May. Another wage increase is expected at the beginning of July. Most said increasing cost pressure resulted in reduced profit margins.

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## RUSSIA

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### Economy, price increases boost sales

Russia's June same-store sales increased yy, accelerating mm for almost two-thirds of sources. All sources said sales met or exceeded expectations, and all said a strong economy was boosting sales, consistent with OTR's April report. Three-fourths of sources said traffic and transactions increased yy because of ongoing commercial and residential development in Moscow, St. Petersburg and Nizhny Novgorod, as well as improved customer service companywide, which had more customers returning. Two stores added McCafés during the past year, which managers said boosted transaction growth. Some stores in Moscow and St. Petersburg offered Wi-Fi computer access, which managers said was popular among younger customers. Some also experienced increases in tourist traffic, helping sales. "Tourists are becoming more reliant on known products like McDonald's. This is true for foreign tourists in Moscow and St. Petersburg, and Russian tourists in Sochi and the other places as well," one said. The company's sponsorship of the Euro 2008 tournament also attracted incremental customers, as stores offered free tournament programs with a purchase. The sponsorship's popularity gained traction as the Russian team advanced to the semi-finals.

All managers said ticket averages increased yy, driven by menu price increases and sales of higher-priced items such as the Chicken Mythic and new "Big Prawns," as well as increased add-on sales of drinks and desserts such as the new McFlurry "Bachi." The company also pushed higher-margin products, such as coffee and cold drinks, which were top sellers for many. All locations raised menu prices during the previous three months, but one source said there was no pushback from consumers. Sources gave very limited feedback regarding food and labor costs or margin pressure.

## CHINA

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### Coupons, value boost transactions

In China, June same-store sales increased an average 5% to 8% yy, meeting or exceeding plan for almost all sources. Most said transactions increased yy as price-conscious consumers became increasingly attracted to the company's value prices. Sources in Shanghai and Guangzhou said heavy coupon advertising of new items boosted traffic levels. New promotional snack items, such as Chicken McNuggets with four sauce flavors (May 21 through June 24) and coconut pies (May 21 through Aug. 24), as well as breakfast test offerings, including Egg McMuffin and the Sausage McMuffin with Egg (June 11–30), helped drive incremental transactions. A few sources also were testing other items — including a Super Spicy Chicken Burger, Bacon, Egg & Cheese biscuit and orange drink — which they said were well received by customers. Three said extended operations such as 24-hour service and delivery service also helped transactions grow. "McDonald's recently began promoting 24-hour delivery service [at some locations], available to customers within seven minutes of a store by electric bike. The delivery service has increased transaction counts," a manager said. A Shanghai store recently added a McCafé, and the manager said the renovation boosted guest counts significantly.

Ticket averages increased yy for more than one-half of sources, mostly because of menu price increases during the past year. However, some sources said heavy coupon redemption and sales of lower-priced promotional items minimized ticket average growth.

"Tourists are becoming more reliant on known products like McDonald's. This is true for foreign tourists in Moscow and St. Petersburg, and Russian tourists in Sochi and the other places as well."

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## Rising costs squeeze margins

Seven sources said their stores were hurt by the poor economy, as rising food and labor costs pressured margins. Several said while menu prices increased approximately 10% to 20% yy, commodity costs increased at significantly higher rates: Beef prices increased more than 100% yy and chicken prices increased more than 50% yy. Labor costs also rose for many because of ongoing wage increases and a new labor law effective Jan. 1, which strengthened employment contracts and stipulated compulsory employee benefits. A few managers said the company recommended stores cut full-time staff and hire more part-time employees to eliminate newly required overtime pay. Real estate rental fees also increased.

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## UNITED STATES

"My sales increases are coming mostly from breakfast and beverage sales."

"Drink sales have gone crazy, but it's not doing what my owner thought it would do — which is have customers come in to buy drinks and add on other items."

"The \$1 drinks helped offset a possible decline in transactions at our store."

"The Dollar Menu is still [McDonald's] strength with customers."

"Percentage of sales off the Dollar Menu is increasing. When times are tough, people come to McDonald's and buy off the Dollar Menu."

"More consumers are choosing to forego the sit-down restaurants because of price."

"We gave away a lot of chicken sandwiches in June."

"Iced coffee and Sweet Tea sales are so strong; it's really helping sales."

"Traffic is down compared to last year at my highway stores — people are not traveling as much. But my in-town traffic is good."

"The fact that we did not serve tomatoes for three weeks actually saved us money, so it was probably more of a positive impact rather than a negative one."

"Food, labor, everything is chipping away at margins. I'd be a lot happier if we sold less Dollar Menu items."

## GERMANY

"A McDonald's lottery should not be rocket science to the customers."

"KISS: keep it short and simple. There are currently too many menu choices at McDonald's, confusing the customer, driving costs and hampering sales."

"If we wouldn't have had the coupon mailing at the end of the month, we would have been completely lost."

"I haven't seen a month with negative sales for three years now. It is absolutely unbelievable."

"Maybe the tide is turning as consumer confidence slips. We have to be very careful now with our next steps, especially concerning future price increases."

"The new M burger was the only highlight over the last weeks, but one product cannot set off failure of the remaining promotional range."

"The upcoming months will be very critical since consumer confidence is likely to further fade while McDonald's needs to adopt the right strategy to cope with this issue."

"We will definitely lose share to our competitors if the company decides to offer only breakfast in the morning and restrict burgers and fries to lunch and dinner times."

## UNITED KINGDOM

"Of course price increases helped drive some sales, but most of the growth comes from sheer demand. We offer new promo items every month, and that keeps them coming back in."

"It's been quiet in the day, but at night when people are back from the beach, it's heavy. Most are going for our premium range, Great Tastes of America, so that has made the ticket average shoot up."

"We are gaining because people are worried about spending. The meals are good value, so it helps when you're watching the pennies."

"We increased prices to offset rising supplier costs; it was expected. Mostly the increases have gone on meal deals by around 10 pence."

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## FRANCE

"With lower purchasing power, consumers become more cautious in how to spend their money, and McDonald's prices are more attractive than traditional restaurants."

"If customers come to McDonald's restaurants, it is because it is cheaper than traditional restaurants and they don't have the choice."

"Dinner sales increased thanks to good movie releases in the cinema located next to the restaurant."

"Few franchisees have decided to open a McCafé, as it is a heavy investment."

## RUSSIA

"McDonald's has to fight for its market position, so it's launching more programs like Wi-Fi to keep customers coming in Moscow and St. Petersburg."

"The Big Tasty lunch is popular, but McDonald's has difficulty pushing expensive new products."

"We don't have problems with labor force anymore. We are now paying 20,000 rubles per month and all social tariffs for our staff, so they earn more than with competitors and feel secure."

## CHINA

"Headquarters has begun offering coupons targeting young people and white-collar workers in the free morning subway newspaper for delivery and eat-in. Customer use of these coupons has increased in June."

"Breakfast sales are better than at the same time last year due to some new items."

"Prices of many ingredients for our products increased, heightening our cost pressure."

"Our store rental fee has increased a lot in 2008 compared to 2007."

"The new labor law has forced us to pay higher wages and benefits, not to mention overtime."

"Headquarters told us to cut full-time staff and employ more part-timers to cut costs."

"We increased our prices twice in 3Q07 and again in January 2008; our current prices are much higher than they were at the same time last year."

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## 1. Did your June same-store sales increase, decrease or remain the same yy?

	U.S.	U.K.	GERMANY	FRANCE	RUSSIA	CHINA
Up 26%–30%:	-	1*	-	-	-	-
Up 21%–25%:	-	1*	-	-	-	-
Up 16%–20%:	1	1	-	1	-	-
Up 11%–15%:	1	2	-	3	-	2
Up 6%–10%:	10	4	2	4	1	8
Up 1%–5%:	16	3	4	5	-	-
Up less than 1%:	1	1	-	-	-	-
Up:	3	-	-	-	8	4
Flat:	4	-	1	-	2	3
Down:	-	-	-	-	-	2
Down 1%–5%:	3	1	1	1	-	-
Down 6%–10%:	1	-	4	-	-	1
Don't know:	-	-	-	-	1	-
<b>Average:</b>	<b>Up 3%–6%</b>	<b>Up 6%–9%</b>	<b>Flat–down slightly</b>	<b>Up 7%–10%</b>	<b>Not averaged</b>	<b>Up 5%–8%</b>
<b>March average:</b>	<b>Flat–up 3%</b>	<b>Up 9%–12%</b>	<b>Up 9%–12%</b>	<b>Up 7%–10%</b>	<b>Not averaged</b>	<b>Not averaged</b>

\* Outliers not included in average

## 2. Did your June sales exceed, meet or fall below plan?

Exceeded:	13	8	1	5	2	3
Met:	22	1	3	8	9	16
Fell below:	5	5	8	1	-	1
No response:	-	-	-	-	1	-

## 3. Did June sales momentum accelerate, decelerate or remain the same mm?

Accelerated:	12	5	4	4	7	6
Remained the same:	20	3	2	6	4	9
Decelerated:	7	6	6	4	-	5
No response:	1	-	-	-	1	-

## 4. Did the economy have positive, negative or neutral effects on your June sales?

Positive:	16	6	-	4	12	1
Neutral:	14	2	6	5	-	12
Negative:	8	4	6	-	-	7
Don't know:	-	2	-	-	-	-
No response:	2	-	-	5	-	-

## 5. Did June transaction counts increase, decrease or remain the same yy?

Up:	27	9	3	9	3	8
Up slightly:	3	1	2	3	6	5
Same:	5	-	1	1	3	4
Down slightly:	3	3	1	1	-	1
Down:	2	1	5	-	-	1
Don't know:	-	-	-	-	-	1

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## 6. Did June ticket averages increase, decrease or remain the same yy

	U.S.	U.K.	GERMANY	FRANCE	RUSSIA	CHINA
Up:	16	6	1	2	9	10
Up slightly:	8	7	6	9	3	2
Same:	11	1	4	3	-	7
Down slightly:	1	-	1	-	-	-
Down:	3	-	-	-	-	-
Don't know:	-	-	-	-	-	1
No response:	1	-	-	-	-	-

## 7. Did your main promotion in June exceed, meet or fall below expectations?

Exceeded:	5	5	-	-	-	2
Met:	30	4	3	14	8	1
Fell below:	2	4	8	-	-	-
Too early to tell:	-	1	-	-	2	-
Mixed result:	-	-	1	-	-	-
No response:	2	-	-	-	2	17
Not applicable:	1	-	-	-	-	-

## 8a. What were the top-selling breakfast items during June? (Some sources gave more than one answer while others did not respond.)

Coffee:	15	1	-	1	12	2
Double Cheeseburger:	15	-	-	-	4	-
Breakfast sandwiches:	11	1	-	-	3	-
Sausage Egg McMuffin:	3	7	-	-	-	-
Egg McMuffins:	2	1	4	2	-	-
Southern Style Chicken Biscuit:	8	-	-	-	-	-
Sausage Biscuit:	6	-	-	-	-	-
Sweet breakfast:	-	-	6	-	-	-
Iced coffee:	5	-	-	-	-	-
Bacon Egg Cheese Biscuit:	2	-	-	-	-	3
McCroissant:	-	-	5	-	-	-
Sausage McMuffin:	2	2	-	-	-	-
Pancakes:	2	-	-	1	1	-
Dollar Menu:	3	-	-	-	-	-
McGriddles:	3	-	-	-	-	-
Hashbrowns:	1	2	-	-	-	-
Cheeseburger:	-	-	-	-	-	2
Mac pork egg burger:	-	-	-	-	-	2
Other:	4	1	-	-	-	-

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## 8b. What were the top-selling regular menu items during June? (Some sources gave more than one answer while others did not respond.)

	U.S.	U.K.	GERMANY	FRANCE	RUSSIA	CHINA
Big Macs:	3	11	11	12	10	-
Cheeseburger:	1	1	12	-	8	-
Dollar Menu:	19	-	-	-	-	-
Drinks:	5	-	-	-	11	-
Double Cheeseburger	15	-	-	-	-	-
Hamburger:	-	-	2	-	9	-
Sweet Tea:	9	-	-	-	-	-
Southern Style Chicken:	7	-	-	-	-	-
Value Meals:	7	-	-	-	-	-
Iced coffee:	6	-	-	-	-	-
McChicken Sandwich:	5	-	-	-	-	-
Chicken Sandwiches:	-	1	3	-	-	-
Chicken Nuggets:	-	1	2	-	1	-
Snack wraps:	2	-	-	-	1	-
Double Quarter Pounder:	-	2	-	-	-	-
Happy Meals:	-	1	-	-	1	-
Egg McMuffins:	-	-	-	-	1	-
Royal Cheese:	-	-	-	1	-	-
Other:	-	-	-	1	1	-

## 9. Did your restaurant increase menu prices during the past three months?

Yes:	24	13	11	9	12	-
No:	10	1	1	5	-	12
No response:	6	-	-	-	-	8

## 10a. Were you over, within or under budget for food costs during 2Q08?

Over:	20	7	2	8	-	-
Within:	16	6	9	3	3	-
Under:	-	1	-	-	-	-
Don't know:	1	-	1	-	5	-
No response:	3	-	-	3	2	20
Not applicable:	-	-	-	-	2	-

## 10b. Were you over, within or under budget for labor costs during 2Q08?

Over:	10	3	1	6	-	-
Within:	27	9	10	5	7	-
Under:	-	2	-	-	-	-
Don't know:	-	-	1	-	2	-
No response:	3	-	-	3	1	20
Not applicable:	-	-	-	-	2	-

## 11. Have increased food and labor costs resulted in margins issues?

Yes:	19	5	12	8	-	-
No:	6	5	-	3	-	-
Don't know:	3	3	-	-	7	-
No response:	12	-	-	3	3	20
Not applicable:	-	1	-	-	2	-

# Quick-Service Restaurants: McDonald's Corp.

## China Only

### 12. Has your store experienced unusual food or labor costs within the last three months?

Yes:	8
No:	12

## United States Only

### 13. Did June breakfast sales exceed, meet or fall below expectations?

Exceeded:	17
Met:	18
Fell below:	4
No response:	1

### 14. Did June sales of the Southern Style Chicken Biscuit, Southern Style Chicken Sandwich, Iced Coffee and Sweet Tea exceed, meet or fall below expectations?

	SO. STYLE CHICK. BISCUIT	SO. STYLE CHICK. SANDWICH	ICED COFFEE	SWEET TEA
Exceeded:	10	8	15	19
Met:	21	26	17	9
Fell below:	7	4	2	2
Too early to tell:	1	1	-	-
No response:	1	1	6	7
Not applicable:	-	-	-	3

## United Kingdom, Germany, France, Russia and China

### 15. Does your restaurant have a McCafé?

	U.K.	GERMANY	FRANCE	RUSSIA	CHINA
Yes:	-	7	-	2	1
No:	14	4	14	-	17
Too soon to tell:	-	-	-	1	-
No response:	-	1	-	9	2

# Quick-Service Restaurants: McDonald's Corp.

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Additional information available upon request.