

McDonald's Profit Dented by Weak Sales

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NEW YORK (AP) — McDonald's is fighting to hold onto customers in the U.S.

The [world's biggest hamburger chain](#) [1] said sales at established U.S. locations fell 1.7 percent in the first quarter as guest counts fell. The company also saw customer counts decline last year as it struggled to manage an array of new menu items and fend off intensifying competition.

CEO Don Thompson had conceded earlier this year that McDonald's lost some of its "customer relevance" and that it needs to do a better job of underscoring value and service. On Tuesday, the company attributed its U.S. sales performance in the latest quarter to "challenging industry dynamics and severe winter."

The decline was offset by stronger results in Europe, which pushed up global sales at established locations by 0.5 percent. Profit for the first three months of the year fell and missed Wall Street expectations.

The Oak Brook, Illinois-based company said global sales for April are expected to be modestly positive. April would reflect the first full month that Taco Bell has offered its national breakfast menu, which it has pitched a challenge to McDonald's dominance in the morning hours.

The declines in sales and customers in the U.S. reflect the struggles McDonald's faces as people flock to chains that position themselves as higher-quality alternatives to traditional fast food. Chipotle, for instance, said last week that sales rose 13.4 percent at established locations.

Thompson has noted a split in the fast-food industry, with people who have more spending money heading off the chains that charge more. He said McDonald's will focus on underscoring value for its more cash-strapped customers, but the chain is also offering more premium items such as its new Bacon Clubhouse Burger.

To adapt to shifting trends, McDonald's has also been rolling out new prep tables in its U.S. kitchens that can hold more sauces and toppings.

The idea is to eventually offer greater customization on its menu while keeping orders easy to assemble for workers. Speed and accuracy have been an issue for McDonald's as it stepped up the pace of new menu items in the past year.

In Europe, McDonald's said sales rose 1.4 percent at established locations in the latest quarter. The figure rose 0.8 percent in the unit that encompasses Asia, the Middle East and Africa, despite a decline in traffic.

For the quarter ended March 31, net income fell to \$1.2 billion, or \$1.21 per share.

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Analysts expected \$1.24 per share.

A year ago, the company earned \$1.27 billion, or \$1.26 per share. McDonald's Corp. noted that the year-ago results were boosted by income tax benefits.

Revenue edged up to \$6.7 billion, but was shy of the \$6.71 billion Wall Street expected.

Shares of McDonald's edged up 83 cents to \$100.50 in premarket trading.

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[1] <https://twitter.com/McDonalds>