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## McDonald's tests tiered Dollar Menu & More

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McDonald's Corp.'s test of a "Dollar Menu & More" offering poses a new value proposition to guests, but its effect on owner-operators' ability to operate their kitchens or grow profitability is far less clear, two franchise consultants said.

The Oak Brook, Ill.-based restaurant chain confirmed earlier reports that a tiered Dollar Menu & More, currently in test in five markets, would augment the Dollar Menu with two additional price tiers — \$2 and \$5 in some markets, or \$1.79 and \$4.99 in others — that include other sandwiches or "shareable" items like 20-piece [Chicken McNuggets](#).

"While no official changes have been made to our current Dollar Menu, we continue to evaluate and test the best value options, including the current Dollar Menu & More test, for both our customers and McDonald's owner-operators," the brand said in a statement emailed to Nation's Restaurant News.

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However, while some industry observers surmised that this new iteration of the Dollar Menu — which supposedly would enable McDonald's to eliminate the Extra Value Menu in favor of a single value platform — could grow sales and perhaps profitability, it likely would not resolve the issues of menu complexity and operational bottlenecks, which are among [the grievances franchisees have expressed to the franchisor](#).

### Moving beyond \$1

Richard Adams, a former McDonald's owner-operator who now consults franchisees with his San Diego-based company Franchise Equity Group, gave the test of a Dollar Menu & More a mixed review. He called it "a step in the right direction" but added that McDonald's should have made its course correction earlier from 2012's introduction of the Extra Value Menu.

McDonald's had introduced the Extra Value Menu as way to repackage items between \$1 and its Extra Value Meals in March 2012, but it did not produce the sales mix intended, and the company de-emphasized the menu in the chain's advertising. The Extra Value Menu never went away, however, and marketing focus on the Dollar Menu increased.

"[McDonald's] has been so focused on forcing franchisees to stick with the Dollar Menu, and it's been a conflict for years," Adams said. "The franchisees have gone off the Dollar Menu in various ways in various markets, so [Dollar Menu & More] is a concession by [the company] that it is going to have to

fade away.”

Doing away with the Extra Value Menu and rolling it into a new-look Dollar Menu with two graduated price tiers, similar to Wendy's moves earlier this year to tweak its Right Price Right Size value menu, is a way to alter a \$1 value menu into something more workable, he said.

“That's where Wendy's got the jump on everybody, with the graduated value menu,” Adams said. “McDonald's should have done this at the same time Wendy's made their course correction.”

Without divulging specifics, McDonald's said the Dollar Menu & More would include new single burgers, more chicken options, and double-patty or deluxe versions of current \$1 sandwiches.

A report in Burger Business speculated that items reportedly tested around the country might be candidates for a wider Dollar Menu & More rollout, including a McDouble with bacon or new flavor combinations like Dijon-Swiss and Southwest; a double-patty Grilled Onion Cheddar burger; or Bacon Buffalo, Bacon Hot 'n Spicy or Deluxe McChicken sandwiches.

“I suspect that might be where they're going with this and that they're trying to take pressure off the Dollar Menu,” said John Gordon, principal of San Diego-based, restaurant-focused Pacific Management Consulting Group. “If they can take \$1 items and run them for \$2, while only adding in 30 cents of food cost to differentiate the product a little bit [for example], theoretically you pick up [as much as] 70 cents in gross margin.”

## Kitchen complications

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Gordon also noted that the proposed Dollar Menu & More “may not address the complicated-kitchen matter,” as franchisees cite a cluttered menu and cluttered operations as points of contention with McDonald's Corp.

In a few markets around the country, some McDonald's operators are testing a “high-density kitchen” setup with a prep table accompanied by a refrigerated rail on top that has more than 30 slots for holding toppings, sauces and ingredients for newer flavors of burgers and chicken sandwiches.

A memorandum obtained by Nation's Restaurant News, written by a franchisee representing fellow owner-operators at a June meeting of the National Leadership Council of McDonald's franchisees, said negotiations with equipment suppliers for the high-density kitchens “have already generated substantial cost savings.”

The memo also said that nine subcommittees within the National Leadership Council were engaged in gathering operator feedback on high-density kitchens, but the document did not indicate how many franchisees or how many restaurants were currently testing the equipment.

As of press time, McDonald's had not responded to an inquiry of whether the high-density kitchen was tested along with the Dollar Menu & More offering in the menu's test markets of Fresno, Calif.;



Albuquerque, N.M.; Memphis, Tenn.; Columbia, S.C.; and the combined market of Hartford, Conn., and Springfield, Mass.

Gordon noted that retrofitting McDonald's kitchens with high-density capabilities would not be easy, but ultimately, the menu should drive the kitchen and not the other way around. "I think McDonald's would be trying to make the kitchen work with what works for the consumer," he said. "Consumer desires and store profitability are the two beginning factors, which then drive the menu, which then drive the physical plant."

Yet Adams of Franchise Equity Group added that, while a high-density kitchen may enable franchisees to execute more varieties of burgers and sandwiches, what he calls McDonald's "high-density menu" would remain an operational problem for franchisees if the chain does not rationalize its offerings further.

"[The company] decides what the McDonald's system is; the franchisees don't," he said. "If they say the menu is going to expand exponentially, then the menu will expand until the restaurants explode. I'd argue that's already happened, and that has been the problem with sales."

McDonald's operates or franchises more than 34,000 restaurants worldwide, including more than 14,000 in the United States.

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