

# 05 Walk to Bankruptcy

McDo, A Well-known Fast Food Faces Bankruptcy





BUSINESS NEWS

# McDo Walks to Bankruptcy

Well-known Fast Food Faces Bankruptcy

LESSON SUMMARY

READING + LISTENING + SPEAKING

1HR

LISTENING

ISSUE-04-ED01  
McDo Bankruptcy

PRE-ASSESSMENT PROFICIENCY INFORMATION

STUDENT

SCORE

## Pre – Test

Complete the set of pre-assessment activities given below. Read instructions carefully.

### PRE – 01 | True or False Not Given

Listen to the audio carefully and determine whether the statements provided are True, False or Not Given based on the information you hear. Mark **True** if the statement is **correct**, mark **False** if the statement is **incorrect**, and **Not Given** if the information is **not mentioned** in the audio.



	TRUE	FALSE	NOT GIVEN
1 News of McDonald’s declining profits and subsequent massive closures are hard hits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 McDonald’s has 20,000 restaurants in America.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Each year McDonald’s make more than \$23 billion.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Environmental problems were big problems that slowed growth of McDonald’s.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### PRE – 02 | Re-Tell

Listen to the audio carefully and **take notes** on the main points and key details. After the audio ends, **re-tell what you heard in your own words**. Focus on summarizing the main ideas, supporting details, and any examples mentioned.

# 01

## Reading

News of McDonald's declining profits and **subsequent** massive closures are hard hits. You might want to use shock absorbers on why the fast food empire with nearly 50,000 restaurants around the world, and more than 13,000 in America alone will probably **cease** to exist in the next couple of years.

Although each year McDonald's makes more than \$23 billion, this contributes very little to raising its profit margin. Even though it said that rising business costs and supply chain problems were big problems that slowed growth and caused it to raise customer prices to make up for sales losses, the company's profits went through the roof.

It is hard to think how a business of this size and scale could be suffering right now since its stock and menu prices are going up, which means that the average ticket price is going up a lot. The answer is not simple, though. Even though McDonald's is the best fast food company the world has ever seen. Independent owners run 95% of its stores in the United States, and the fight between the company and its partners seems to worsen this year. Operators have been fighting McDonald's stricter rules and more expensive demands for decades and enable many of them will reach a breaking point.

McDonald's anti-franchisee policies are killing the company from the inside out. The company said it would increase its control over its partners while refusing to take on shared job responsibilities. This is because the acts of franchise owners put the company in a lot of legal trouble.

Since 2018, the company has spent almost \$6 billion on **renovations**. This means that partners have to pay another \$6 billion, taking that cost and splitting it by the number of shops. The average cost to remodel each store was a shocking \$350,000. That is made up nearly 70% of their income per shop in the last five years.

Even worse since 2019 nearly 34% of McDonald's stores have been sold or shut down. And owners say the company is intentionally hurting small **franchises** to sell the most valuable sites to the biggest corporate owned franchisees. The NLA has put out a paper that says the chain is almost forcing small owners to sell their shops to bigger partners who are usually better off financially.

If they do not do what McDonald's wants, they could go **bankrupt** and lose their **assets** in court. The group said that McDonald's new financial standards could end the long term deals of about 40% of owners because the company's writing costs make it hard for the shops to meet profit goals. If these owners do not do what the company wants, their contracts could be cancelled and they could lose all their **investments**. Many have sued the company and asked that the fee be removed. But the court has again sided with McDonald's. It seems like the fast food giant only cares about its **shareholders** and not its franchisees who run their stores, or its customers who have stuck with the company because of its low prices. This is not a smart way to grow a business. If enough of them leave the company, its whole business plan could be in danger.

McDonald's is a clear example of how greed can cause a great business to fall apart from the inside out.

# 02

## Activity

### A1 | Pair Me Up

Match the words on the first column to its corresponding meaning on the second column.

- |         |             |          |   |
|---------|-------------|----------|---|
| 1 _____ | SUBSEQUENT  | <b>A</b> | something valuable belonging to a person      |
| 2 _____ | CEASE       | <b>B</b> | something such as shares, or properties       |
| 3 _____ | RENOVATION  | <b>C</b> | having no money                               |
| 4 _____ | BANKRUPT    | <b>D</b> | a person or company owns a part of a company  |
| 5 _____ | FRANCHISE   | <b>E</b> | happening after something else                |
| 6 _____ | ASSET       | <b>F</b> | the act or process of repairing and improving |
| 7 _____ | INVESTMENT  | <b>G</b> | a right to sell a company's product           |
| 8 _____ | SHAREHOLDER | <b>H</b> | to stop something                             |

### A2 | Right Words

Complete the sentence by choosing the word that fits the context. Choose from the box below.

<b>contributes</b>	<b>franchisees</b>	<b>massive</b>	<b>responsibilities</b>
<b>operators</b>	<b>contracts</b>	<b>profit</b>	<b>intentionally</b>
<b>refusing</b>	<b>declining</b>	<b>enable</b>	<b>investments</b>

- 1** News of McDonald's \_\_\_\_\_ profits and subsequent \_\_\_\_\_ closures are hard hits.
- 2** Even if McDonald's make more than \$23 billion each year, this \_\_\_\_\_ very little to raising its \_\_\_\_\_ margin.
- 3** \_\_\_\_\_ have been fighting McDonald's stricter rules and more expensive demands for decades and \_\_\_\_\_ many of them will reach a breaking point.
- 4** The company said it would increase its control over its partners while \_\_\_\_\_ to take on shared job \_\_\_\_\_.
- 5** And owners say the company is \_\_\_\_\_ hurting small franchisees to sell the most valuable sites to the biggest corporate owned \_\_\_\_\_.
- 6** If these owners do not do what the company wants, their \_\_\_\_\_ could be cancelled and they could lose all their \_\_\_\_\_.

# 03

## Speak Up

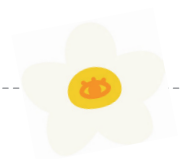
*You are welcome to authentically share your thoughts as you go through the following questions.*

**1** What do you think of McDonald's abuse against their franchise operators?

**2** Do you agree that McDonald's anti-franchisee policies are killing the company from the inside out?

**3** Should McDonald change its policies to pro-franchisee to avoid bankruptcy?

**4** To what extent do you agree that its McDonald's greed causing it to collapse?



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FOOD FOR THOUGHT

In everything that you do and build, you must have a purpose.



The Creative Box; Draw something, write something, do anything to this box – let yourself be free with the box.

KEY ANSWERS

1D 2H 3F 4C 5G 6B 7A 8D

1 declining – 2 massive – 3 contributes – 4 profit – 5 operators – 6 enable – 7 refusing – 8 responsibilities – 9 intentionally – 10 franchisees – 11 contracts – 12 investments

LESSON SUMMARY

**READING + LISTENING + SPEAKING**

**1HR**

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WELL-KNOWN FAST FOOD  
FACES BANKRUPTCY  
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ASSESSMENT PROFICIENCY INFORMATION

**STUDENT**

**SCORE**

**DATE**



SCAN FOR EDUCARE.

