

Chicago Tribune

August 26, 2009

McDonald's in Chicago now offers breakfast items for \$1

The long-time low-cost breakfast menu is a first for Chicago restaurants

Ivana Cheong

According to the *Chicago Tribune*, McDonald's Corp. restaurants in the Chicago area now have the breakfast menu for \$1.

The six items on sale in the "Build Your Breakfast" promotion include a fruit and yogurt parfait, a sausage biscuit, two hotcakes, a sausage McMuffin, two hash browns, and a medium coffee.

Reuters reported that McDonald's is doing this promotion as a reflection of intensifying competition, as other fast-food chains such as Dunkin' Donuts and Burger King also have breakfast menus for very low prices. Another fast food chain, Taco Bell, also plans to expand their menu and offer breakfast.

Additionally, prices for meat, cheese, and paper have gone down, according to Reuters, making the dollar menu a more lucrative prospect.

With the bad economy, unemployment is rising and morning trips to fast-food places have been declining. About McDonald's breakfast menu, a staple for the company, Tom Forte, an analyst from the Telsey Advisory Group, told Reuters: "Nothing is sacred for them. Breakfast is one of their more profitable day parts. They'll push the envelope with price to generate sales."

McDonald's restaurants in the U.S. have long had breakfast items for \$1; approximately a quarter of their sales are from morning visits, according to Reuters. But this is the first time that the breakfast menu has come to Chicago.

A spokeswoman from McDonald's rationalized that "Markets choose what offerings make sense to suit their customers' needs," and that the nature of the promotion itself would vary from one market to another.

Other markets across the U.S. have also been having similar promotions and selling breakfast for \$1. However, the spokeswoman said that this is not a permanent fixture on the McDonald's menu. According to the *Chicago Tribune*, the company has not made clear how long the deals are supposed to last.

McDonald's Dollar Menu started in 2002. The menu also includes lunch and dinner items, and is responsible for about 10 percent of the company's overall sales.

The lower prices could technically result in lower profits for the franchise owners. However, as Reuters wrote, the prices are more attractive to customers, who often pair the items with higher-profit choices, like soft drinks.

As such, McDonald's seems to be performing better than the other fast-food chains in this economy. For example, Reuters reported that, on the New York Stock Exchange, shares of McDonald's closed up 55 cents at \$57 on Wednesday. By contrast, shares of Burger King closed down 2.35 percent at \$18.31.

Our Take:

Personally, I think it's a wise decision for pretty much every McDonald's branch to offer a few items of every meal for \$1. It does attract more customers and naturally, it will generate more sales, as Forte said, especially in this economy. Of course, that won't necessarily help with America's obesity problem. But one thing at a time, I say