

THE WALL STREET JOURNAL.

McDonald's Set to Offer All-Day Breakfast

National rollout marks company's biggest initiative in six years, will require menu changes



The move to all-day breakfast, which McDonald's has been testing since March, was approved in a vote by franchisees last week and affirmed on Tuesday by a franchisee leadership council.

By **JULIE JARGON**

Sept. 1, 2015

[McDonald's](#) Corp. is embarking on its biggest operational change in years with plans to offer breakfast items all day at its more than 14,300 U.S. restaurants.

The move to all-day breakfast, which McDonald's has been testing since March and will start Oct. 6, was approved in a vote by franchisees last week and affirmed Tuesday by a franchisee leadership council, the company said.

The expansion marks the latest initiative under Chief Executive Steve Easterbrook, who [took over on March 1](#) vowing to revamp the burger giant's stale image and end a sales slump in the U.S. that began nearly three years ago.

McDonald's customers for years have asked the company to sell breakfast items past the traditional 10:30 a.m. cutoff, but the challenges of cooking Egg McMuffins alongside Big Macs deterred the company. In an interview, McDonald's USA President Mike Andres said it is the biggest strategic move the company has made since it rolled out its McCafe line of coffee and espresso drinks across the U.S. in 2009.

"This is the consumers' idea. This is what they want us to do," Mr. Andres said. "That's why I think this could be the catalyst for our turnaround."

Breakfast Under the Arches

McDonald's pioneered fast-food breakfast. Now it plans to offer it all day.

25%
Breakfast

33%
Lunch

42%
Dinner

Estimated sales
by time of day
for McDonald's
in the U.S.

A look at some breakfast items launched over the years



1971
McDonald's franchisee Herb Peterson creates the Egg McMuffin



1986
Biscuit breakfast sandwiches are added to the menu



1991
Breakfast burritos launch



1999
Breakfast bagel sandwiches are introduced



2012
Oatmeal is added to the permanent menu

Sources: Technomic (sales); the company (breakfast items, photos)

THE WALL STREET JOURNAL.

The move could help McDonald's franchisees [who have struggled with slowing sales](#), though it also creates new costs and complexities. To address their concerns, McDonald's began [testing all-day breakfast about six months ago](#) in San Diego and later in Nashville and Mississippi, and in June, convened a seven-member task force of franchisees to study a nationwide rollout.

"When the task force started, we wondered if we could really do this," said LeAnn Richards, a franchisee with eight McDonald's in Arizona [who headed the group](#).

McDonald's restaurants are built to produce lunch and dinner items using the same equipment that makes breakfast but not at the same time, so operators needed to add or change equipment and processes.

Operators needed separate grills to ensure that raw eggs don't come into contact with burgers. The task force identified a small model for eggs that sits on rolling carts, which carry utensils used just for eggs and can be moved for the best fit in each McDonald's kitchen.

Operators also needed new toasters, because existing units can only be adjusted to warm either hamburger buns or muffins, which toast at different temperatures. Now, most restaurants are being outfitted with two toasters connected together that can toast both buns and muffins at the same time.

Altogether, the investment can range from \$500 to \$5,000 per restaurant, depending on what equipment franchisees already have, a McDonald's spokeswoman said. Many franchisees have already installed the new equipment.

The company is spreading the word on [Twitter](#), sending tweets directly to the 120,000 or so people who this year have wished on the micro-blogging site for all-day McDonald's breakfast. It also is reaching way back, to the first 10 to 15 people who floated the idea on Twitter. One person who tweeted about it eight years ago got a response tweet on Tuesday inviting him in for a lunch McMuffin.

To simplify all-day breakfast, the company is offering a limited number of core items, including sausage burritos, hot cakes and, depending on the region, Egg McMuffins or biscuit sandwiches. The chain also is further reducing menu items to smooth the change, after [removing several sandwiches and snack wraps](#) from the national menu early this year, and later [simplifying drive-through menu boards](#) by posting only the top-selling items. Mr. Andres wouldn't specify coming menu eliminations, saying they will vary by market. "Some will be more significant than others," he said.

All-day breakfast is leading McDonald's to switch to a made-to-order process during slower hours. In the morning, crew members prepare breakfast items continuously to meet steady demand, but as the day progresses and customers order fewer breakfast items, the test restaurants have found demand less predictable and therefore prepare the items only when customers order them.

Ms. Richards said if food isn't ready, restaurant staffers ask drive-through customers to park while they wait. That risks aggravating one of McDonald's [biggest customer complaints in recent years: slow service](#), particularly at the drive-through, though Ms. Richards said customers in the test restaurants haven't complained.

Despite the risks, McDonald's said an "extremely high" percentage of franchisees voted in favor of offering all-day breakfast.

"We've had a rocky road lately and it's nice to have something a lot of people are behind and excited about," said a franchisee in the Western U.S. He said he isn't concerned about the operational challenge because test-market data show most orders for breakfast items come by 2 p.m., when employees on duty generally have experience on the breakfast shift.

Some franchisees foresee problems, though. One said operators in the South worry that they won't have time to make biscuits from scratch later in the day for the biscuit sandwiches that are popular in their region.

"Baking biscuits takes 18 to 20 minutes, and that doesn't include mixing and kneading the dough," the franchisee said.

The introduction of all-day breakfast comes just as McDonald's nears the third anniversary of the month its same-store sales began to slide. In October 2012 the company posted its first drop in monthly same-stores in nine years, touching off a host of management and menu changes intended to turn around a fast-food juggernaut that has been struggling to regain relevancy among consumers.

Revenue last year fell 2.4% to \$27.44 billion, while net income declined 15% to \$4.76 billion—the first time in more than 30 years that both measures declined in the same year. Mr. Andres declined to share sales projections for all-day breakfast but said the company is pleased with the sales increases at the 200 restaurants that have been testing it.

McDonald's says breakfast now accounts for about 25% of its U.S. sales. Extending it all-day could push breakfast items to 29% of sales initially, estimated RBC Capital Markets analyst David Palmer. While some orders will come from customers who would have eaten at McDonald's anyway, the change is likely to draw others who might also order additional items, including during slower times of day, he said.

Still, he doubts it will be enough by itself to turn the tide. "The question is," Mr. Palmer said, "Can they use breakfast to find other things...to keep the momentum going?"

Mr. Andres said even seriously studying the idea required a change in mind-set at McDonald's that has been driven by Mr. Easterbrook, a self-described "internal activist." "We're more comfortable taking more risk" Mr. Andres said.