

<https://www.quora.com/Is-owning-a-McDonalds-franchise-very-profitable>

Is owning a McDonald's franchise very profitable?

Balaji Viswanathan (பாலாஜி விஸ்வநாதன்), has a Masters degree in Business Administration
[Answered Mar 4](#)

According to one source it is not that profitable [The Frustrating Life of a McDonald's Franchisee](#), given that you earn only \$153k per year after spending more than \$2 million in startup costs. Many thus threw the towel and quit, while others sold. <https://money.usnews.com/investi...>

Franchise McNomics

Estimated financial breakdown for
McDonald's franchises in
the U.S.*

Net sales	\$2,700,000
Food costs	-\$810,000
Paper costs	-\$108,000
Gross profit	\$1,782,000

Controllable expenses:

Crew payroll	-\$540,000
Manager payroll	-\$108,000
Payroll taxes	-\$54,000
Advertising	-\$108,000
Promotions	-\$13,500
Outside services	-\$27,000
Linen	-\$5,400
Operating supplies	-\$27,000
Maintenance and repair	-\$40,500
Utilities	-\$81,000
Cash over/short	-\$2,700
Miscellaneous	-\$13,500
Profit after controllables	\$761,400

Noncontrollable expenses:

Rent and fees	-\$391,500
Legal and accounting	-\$8,100
Insurance	-\$54,000
Taxes and licenses	-\$27,000
Miscellaneous income and expenses	-\$2,700
Depreciation and amortization	-\$94,500
Interest expense	-\$27,000
Net nonproduct	-\$2,700
Total operating income	\$153,900

*Figures may be rounded off
SOURCE: JANNEY CAPITAL MARKETS. FIGURES ARE FROM 2012

In India McDonalds is mostly unprofitable — [McDonald's still running its outlets at a loss in India](#) while in a few others it is profitable. It also closed a lot of stores due to a dispute with a franchisee [McDonald's to shut down 169 outlets in India](#)

Eleanor Murray, former McDonald's Nat'l Marketing Mgr. at McDonald's

[Mar 7 · 24 upvotes](#)

With all due respect, a store doing \$2.7 million should gross more than that for the owner. A strong McDonald's representative could show how to tighten this budget until it bleeds cash.

Also, with only one store it is expected that the owner *is* the manager. At two stores, he can't.

E. G. Moyer

[Mar 8 · 28 upvotes](#)

Unfortunately, the curtain's been pulled on McDonalds; the franchiser makes all the money, mostly on real estate deals, and the franchisees just run in place like hamsters. Claiming that one must purchase 3 stores to make money is ludicrous. Sad.

Eleanor Murray, former McDonald's Nat'l Marketing Mgr. at McDonald's

[Mar 8 · 1 upvote](#)

Ludicrous? Do the math.

E. G. Moyer

[Mar 8 · 19 upvotes](#)

If buying ONE of an expensive, time-consuming business is not profitable, but buying THREE of them that can only be marginally profitable increases risk and reduces my ability to diversify. Why wouldn't I

Isaac Clizbe

[Mar 19 · 1 upvote](#)

Show us the math. How is a \$450K return on \$6M better than a \$150K return on \$2M?

Eleanor Murray, former McDonald's Nat'l Marketing Mgr. at McDonald's

[Mar 19 · 1 upvote](#)

At three, you need only hire ONE director to manage the overall operation. There are huge economies of scale. You no longer spend eleven hours flipping burgers, scheduling labor and watching management. By then you *know the P & L by heart* and how it should move, line by line as your sales improve. As I mentioned above, a \$150,000 return on \$2M demonstrates that the store is NOT being managed well.

This is now what we refer to as the first step to the Big Time.

Edward S Ferebee, Doctor, University of California, San Francisco (UCSF)

[Answered Sep 16, 2017](#)

Despite their negative media attention, the McDonald's franchise that I drive past every day is packed all the time. I rarely eat there (especially since my diet bet), but I used to think to myself that if I were going to buy a franchise, I'd buy a McDonald's. My impression was always that McDonald's were always pretty clean with consistent food (even if you consider it consistently unhealthy), while Burger King's were often dirty with inconsistent food.

A common knock against purchasing a franchise is that you are "buying a job". A recent Businessweek article broke down the gross sales, gross profits, and net profits of the average McDonald's franchise in the US. I found the numbers very interesting:

mcfanchise_income

Average annual profit per franchise: \$150,000 a year, roughly. Okay, but how much does this franchise cost? From the official McDonald's franchise website:

Initial Costs

\$45,000 Initial Fee paid to McDonald's

Equipment and Pre-Opening Costs

Typically these costs range from \$944,352 to \$2,172,045. The size of the restaurant facility, area of the country, pre-opening expenses, inventory, selection of kitchen equipment, signage, and style of decor and landscaping will affect new restaurant costs. These costs are paid to suppliers.

Average cost of new franchise: At least \$1 million roughly, with a minimum of \$500,000 in cash and non-borrowed resources. Other sources state \$750,000 minimum in liquid assets. You must be able to cover 40% of the costs of a new franchise location. You must be able to pay cash for at least 25% of the cost of an existing franchise, with the rest financed over at most 7 years.

Average hours of work per week as an owner/operator? I could not find reliable statistics, but here is an excerpt from a Reddit AMA from a businessperson from New Zealand who has owned a total of three McDonald's franchises and recently sold the last one.

How much work was required of you per week on average? If my goal were to own one McDonalds and do the minimum amount of work possible, while also running it well, how low do you think I could get that weekly number of hours? And what would I be doing in that time?

I would work 9am – 5pm, 6 days a week. Mostly I'm at my office sorting problems remotely from there. I liked to pop down to my couple stores at least a couple times a day and check on them – make sure they're clean, and to check on the Restaurant Manager about any issues. Typically I used to work hard for 4-6 hours a day, with the rest out in the stores just checking on them.

Exit / Selling price? One would imagine that if your franchise is doing well and churning out good numbers, someone else would readily buy it. If your business is struggling, then both your annual income and total business value will drop. The same Reddit user above reported selling for "just above" NZ \$1.4 million, or US \$916,000. I'm a bit confused by the purchase price, but it appears that he paid NZ \$550,000 via business loan, 12 years ago.

In the end, owning a McDonald's franchise is still a business which means you take on risk for potentially significant gains or losses. But if you spend 40 hours a week and only keep tabs on one location, it might really feel like you bought a job. These statistics help

explain why most franchisees own multiple locations; Businessweek says the average is six.

Phil McClellan, Life student

[Answered Mar 17, 2015](#)

McDonalds will not let you fail. They are in the franchise business and they have it down to a science. They will analyze you and your proposed location. You will need to pay for a full report. Foot traffic, number of parking spots, nearby shopping, schools, average income in the area, is the area on its way up or on its way down.

There have been very few McDonalds locations that have gone out of business. If they give you a franchise, its because they feel it will succeed, and they can predict your likelihood of success very well.

BUT

Its not a short term success with McDonalds. If you buy a McDonalds franchise, you'll probably need to commit to opening more within a certain period of time. You will probably not benefit from the investment, but your kids will.

Eleanor Murray, former McDonald's Nat'l Marketing Mgr. at McDonald's

[May 3, 2018 · 6 upvotes](#)

They have and will let you fail! They will replace you without a second thought if you are not putting in the effort. If you "cook the books" you will be out so fast your head will spin. They are EXPERTS at catching that.

I have seen franchisees *lose their home. These hard working people bought 3 restaurants with poor returns.*

Eventually their investments, personal and monetary, paid off handsomely but it took *years*.

Nikki Tune

[Aug 1, 2018](#)

what does "cook the book" mean?

Eleanor Murray, former McDonald's Nat'l Marketing Mgr. at McDonald's

[Aug 1, 2018 · 2 upvotes](#)

"The books" refer to the financial accounting of the business. McDonald's requires that detailed financial accounting be kept *daily*. They can and do come in and audit those records regularly.

"Cooking the books" means falsifying those financial records in some way, to avoid paying the contracted McDonald's percentage of sales.

It is utterly amazing to see the lengths to which people will go to try to cheat on their business dealings. When it comes to McDonald's, *they have seen it all*. It is not possible to fool them for very long.

You may think you are getting away with it. That is just McDonald's giving you enough rope to hang yourself — or enough time to turn things around and *stop cheating*. No one wants to take your restaurant away from you — but they will.

Related Questions

- [How do I open a McDonald's franchise in India?](#)
- [What can I do to get a franchise from Domino's, KFC, or McDonald's? What might be the total investment I need to make?](#)
- [How much money can you make through a McDonald's franchise?](#)

Stanley Hutchinson

[Updated May 14, 2018](#)

I'll share this with you for a fact.

whatever the franchise, with McDonald's if you don't pull down \$1 Million in sales a year, they (McDonald's) will pull your franchise and shut you down.

In our building our McDonalds closed down.

Some simple numbers: \$1 million means

- \$83,333 a month sales (Minimum)
- divide by 30 days in a month, \$2777 in sales per day (Minimum)

So you have to make that minimum just to survive.

Everything else is "Profit" or as they say in the U.S. Gravy.

I know in our building, one of the reasons the McDonalds failed was because, it's in the basement where all the Restaurant food court is, so it wasn't just McDonalds, but about 10 other restaurants. The problem was it was only open during mainly Mon-Friday business hours (6am-7pm) and not open Sat/Sun. AND the McD's catered to the working stiff's in the building traffic only, and that was mostly breakfast and lunch. So that limited their income.

A lot, I mean A lot of McDonalds rely on 24/7 business model to survive in the wee hours that most of us are asleep. They also rely A LOT on the Drive through window. Most McDonalds close their walk-in doors after 11pm, but keep their drive through open 24/7. And since in our building the McDonalds's did not have a drive-through because it was in the basement and did not operate after hours or weekends, this McDonalds was doomed to failure.

But who has a crystal ball that can predict the future or how the stock market will do. I don't and most people don't so, **it's "Impossible to predict Profitability"**.

Thus like most things in life, it's all about Location, Location, Location. Like and Airport, or Train Station. Area's with Lots of International travelers.

Why, it's relatively cheap inexpensive food. BUT the bigger criteria is Quality. People feel safe eating food in developing worlds and underdeveloped worlds eating food they know and recognize has a certain quality that get they "food born illness, food poisoning". This is especially critical in under developed worlds.

Steven Whitbey, former General Manager at McDonald's (2008-2013)

[Oct 13, 2017](#) · [1 upvote](#)

As a retired McDonald's gm I agree with the million dollar comment and the breakdown but that doesn't go far toward profitability. In a poor performing restaurant the profit margin on that 1 million can be very bad. I've seen store profitability range from 15 percent to as high as 40 percent. So if you are an owner and your store performs well even a low volume of 1 million could net the owner 400k. It's all about managing your store properly, keeping employees motivated and happy, and costs down.

Stanley Hutchinson

Original Author · [Oct 13, 2017](#)

That's why I said, "Minimum" I never mentioned profitability.

Steven Whitbey, former General Manager at McDonald's (2008-2013)

[Oct 13, 2017](#) · [1 upvote](#)

Right sir. I was simply adding to what you said, not taking away

Scott Jones

[Oct 13, 2017](#) · [1 upvote](#)

Right, you never mentioned profitability, which was the explicit focus of the original question. Steven's comment was adding value in steering your answer back to the original intent.

Thanks to both of you. I'd never gotten insight in McDonald's franchise cash flow.

Keith Douglas

[Answered Apr 26, 2015](#)

If the average profitability is 6% of sales (that's what's reported) and sales are US\$1.5M, your net profit is \$90k, but it costs you US\$1.5M to buy the franchise which you have to work in. If you could have got a job paying \$60k, deducting that from your returns gives a return on capital of \$30k = 2% (\$60k of your return is for your own work). You might get better returns if you buy shares in MacDonaldis Inc instead of taking on the hard work of operating a franchise.

Mark Gandy, Founder of G3CFO.com and FreeAgentCFO.com

[Answered May 24, 2017](#) · Upvoted by [Joe Gera](#), MBA Business & Finance, Seton Hill University

In the '80s and '90s, owning a McDonald's was like owning a 13% to 15% CD. Those days are behind us.

Yes, a McDonald's store is profitable, but I'm excluding the modifier **very**.

My favorite answer to this question is an excellent article in Bloomberg in 2015 where Al Jarvis, a franchisee is interviewed. The article is entitled [McRevolt: The Frustrating Life of the McDonald's Franchisee](#).

Keep scrolling through the article and you'll find a pro forma P&L for a \$2.7 million store with a bottom line before taxes of \$153k. A 6.7% bottom line? That's okay'ish. If you are one of the managers, then add another \$100k to that total.

If I'm a betting man, those margins continue to get squeezed.

Michael Cheng

[Nov 13, 2017](#) · [68 upvotes](#) including [Mark Gandy](#)

Then again in the 1980s and 1990s, actual CDs were yielding 8–10%, so you're not that far ahead with the McDonald franchise. In that context, if you're able to pull 6.7% today when CDs are running below 2%, you're getting about the same premium for the extra risk and braindamage.

Mark Gandy

Original Author · [Nov 13, 2017](#) · [10 upvotes](#)

Right, and good points.

Chuck Helms

[Apr 13, 2018](#) · [1 upvote](#)

But is the amount of work and stress worth it?

John Chang

[May 24, 2017](#) · [97 upvotes](#) including [Mark Gandy](#)

I'm sure that there are still lucrative franchises to be had. Unfortunately, too many franchise companies are more interested in their own bottom line than the individual franchisees.

I saw this as a business broker, when I tried to help a couple of owner operators trying to get out.

When it's a small portion of your investment portfolio, it's not so bad. But when it's the sole source of income for your family, this razor thin margin can be downright painful to try and live on!

Mark Gandy

Original Author · [May 24, 2017](#) · [6 upvotes](#)

Excellent point

Danny Heisner

[Nov 14, 2017](#) · [12 upvotes](#)

A LOT depends on how well it's run. My next door neighbor just retired from McDonalds.

12 different McDonald's owned

Over 50 million customers served

Over 300 million in sales

Over 14,400 employees

Never imagined that when I got a job at my local McDonald's in 1985. being a farm boy who picked up hay bales every summer and had to go bust the ice in the ponds all winter long so the cattle could drink the water. I thought getting a job in climate controlled conditions was the greatest job of all. But I did figure out real quick that I wanted to be on the other end of the food chain as farming was hard work for no money.

He started when he was 16 and retired before 50. The key to profit is running the store the right way. When he was younger, his boss would send him to the worst performer and he would whip it into shape. Later on, he told me he loved poorly performing McDonalds because he could buy them cheap and turn them around in 30 days.

I always tell everyone his story when they start knocking working at fast food joints.

Lindy Hazeldine

[Dec 1, 2017](#) · 5 upvotes

McDonalds pay and treat their young staff poorly. Employees work long hours for minimal wages and they work bloody hard!!!

Reagan Karnes

[May 27](#) · 1 upvote

It's essentially a dead end industry from a social standpoint. Did you read about the margins for the franchise owners? If they didn't treat their staff that way the entire concept would die — perhaps is should! ***Written while sitting in a Micky D's watching my kid play in the play thing.***

Bob Borton

[Jul 30](#) · 1 upvote

So, you make a comment on Danny's post, but you apparently didn't understand what he said. His neighbor TREATED employees like people, and the business grew well. You actually have the audacity to suggest working at McDonald's, even under the poorest of conditions, compares to loading bales of hay and breaking lake ice all day; Danny made an excellent comparison.

Don Kim, Owned and operated multiple franchise businesses

[Answered May 24, 2017](#)

Although I do not have direct experience with an ownership of a McDonalds franchise store, I have owned and operated several franchise businesses such as a gas station and convenience store, mail and parcel center and yogurt chain and I can tell you that unless you do your due diligence, have a great location or are plain lucky, the first one you open will be average at best.

In other words, you will feel as though you bought yourself a full-time job and usually for the first one, you will work 80 hours or more per week. The real key to becoming truly profitable with these kinds of businesses, both franchise and non-franchise, is to scale. That is to open multiple locations to the point where the combinations of profits from your stores makes you big profits.

To use an example, back in 2004, I looked into the Subway franchise and talked with some store owners. Around then it seemed the average cost to buy one of those franchises was around \$150K for a brand new one and up to \$500K or more for an

existing location (it is usually less risky to buy an existing and profitable location since it has proven profits and customers, but then you have to invest more so you risk putting in a higher up front investment. In the end, you end up spending about the same for new or existing). So when you strip out your fixed and variable costs and from your overall revenue, the average owner can expect to make around \$60K profits annually. Yes, that's \$5k per month and is equivalent to an average white collar office job! Given that the first time owner works at least 80 hours a week, we're looking at an hourly pay that is close to minimum wage!

That's why you have to open multiple locations. And for most franchises, it starts to get easier after your third franchise location. At that point you can afford to hire managers and after about your fifth location, you can hire a "regional" manager to have oversight over the other locations. In addition, when you have that issue of employees who don't show up, quit, call in sick, etc., you have enough of them at your multiple locations to shift them around. So let's say with all these additional costs, you're making \$50K per store annually, if you own five that's \$250,000 you make annually and you're working 40 hours or less per week. Then it's pretty smooth sailing at that point, but it is a steep hill to climb initially and many who get into these franchises are not strategic enough in their planning for this.

Ironically, this desire to scale can become an addiction and a person (or company actually, since he had a staff of 15 just for managerial and admin activities) who bought my gas station and convenience store, owned over 30 of them. It became an obsession to keep opening up new ones to the point where when I spoke to him years later, it got out of hand and he scaled down significantly and sold most of the stations and kept ten of the highest profit ones.

Anyway, something to factor in if this is your goal. I can tell you for sure, that these days it is getting harder to find and buy as well as keep open a franchise business. You also have to make sure it is not something too "trendy" like the yogurt craze some years back where its popularity rose and fell just as quick. Best of luck.

Richard Widman, former Purchasing Director, Latin America at McDonald's (1972-1997) [Answered May 8, 2016](#) · Upvoted by [Eleanor Murray](#), former McDonald's Nat'l Marketing Mgr. at McDonald's and [Cody Dostal](#), former Department Manager in Training at McDonald's (2013-2017)

It CAN be. But it depends on the owner/operator, his controls, his ability to motivate people and control their productivity. Running a McDonald's is a penny business. You can't let many pennies loose. It is also a volume business. You can't upset customers.

You need to want success, be there 24/7, teach and motivate, etc.

Case in point: As Purchasing director I set up the supply chain and purchasing for a McD in a new island in the Caribbean. In the first year he did \$5 million in sales and took 26%

to the bottom line. I repeated it on a sister island and they also did \$5 million the first year, but got less than 1% to the bottom line.

McDonald's will be there for you, teaching, working on costs, working on training, etc. There is little room for failure, but you can fail it you don't take it seriously or try to cut corners. I was also party to the ending of licenses of two franchisees for failing to meet standards.

Alexander Smith, Professor of Marketing (2008-present)

[Answered Jun 18, 2017](#)

Owning a franchise is, by itself, not a way to make a profit. Owning a franchise and running the business properly is necessary to be profitable. A franchise is like any other business and requires hard work to be profitable.

Franchises in general, and even McDonalds in particular, are not very profitable for the franchise owner. McDonalds charges a lot of money to use their name and has a long list of requirements. I haven't looked into owning a franchise in the last decade, but a quick google search brought up the following informaiton:

"Most McDonald's owner/operators have entered the corporation by purchasing an existing restaurant. To open a McDonald's franchise, however, requires a total investment of \$1-\$2.2 million, with liquid capital available of **\$750,000**. The franchise fee is **\$45,000**."

My own experience into the idea of opening a McDonalds franchise showed that 80% of the revenue generated at a restaurant (especially one like McDonalds) goes towards labor. Depending on location, the average after-tax income is between \$20,000 - \$50,000 per year. When I was running the numbers, this was when the minimum wage in the USA was at \$7.25/hour. Any increase in that minimum wage would make the franchise unprofitable. The McDonalds franchise owners that I spoke with all own 5- 10 stores in order to provide a consistent profit at the end of the year, though this required them to hire general managers in addition to the regular store managers, and thus, again, cut their profits.

On a related note, when one talks about the billions that McDonalds make each year, it is relation to the McDonalds corporation which owns very few of the stores. The corporation gains revenue through the franchise fee NOT by selling hamburgers.

Jim Meaney, Jim is a lawyer in Columbus, Ohio who has represented franchisors and franchisees for nearly 30 years.

[Answered Mar 5, 2015](#)

I cannot answer this question directly but it seems a good bet that the majority of McDonald's restaurants are profitable.... but location, location, location! If you are interested in purchasing a franchise, you should obtain a Franchise Disclosure Document, review it thoroughly and contact the existing franchisees listed in the FDD. If the franchise system discloses franchisee financial performance (they are not required to but some do) you will find it in Item 19. Also, there is no prohibition for franchisees to share information about financial performance so contact them and ask questions. If the franchise system does not provide or disclose financial performance in Item 19, the system itself (franchisor) is PROHIBITED from sharing or providing franchisee financial performance or any financial information concerning sales, profit, revenue, etc. with prospects.

Reginald Wedge, Ph.D Business & Metaphysics, Hillyer University (1978)
[Answered May 27, 2017](#)

It used to be, but that is no longer the case. McD's and other "brand name" "burger joints" have been pounded by health concerns, nutrition and nourishment concerns, obesity, working conditions, despoilment of neighbourhoods and communities, noise pollution, odour pollution, — the whole gamut.

Some McD's shareholders cannot even stomach the McD's food products. About the only success they have had in the past few years or decade is McDonald's coffee which stands up against Starbuck's.

The whole trend and enterprise of "fast food" and/or casual dining is in flux and declining. People would rather put up or invest in a local establishment, or a health establishment, or anything that will contribute to the health and welfare of a given community. There is much less of an emphasis now to give "burger-flipper" employment to youngsters for after-school, weekends, summer jobs, etc.

People in general have become more serious about food, about their health about their nutrition. In New England folks would rather go to a "seafood shack" or clam bar rather than a McD's. The same trend exists across the nation depending on the specialty of the region. In Philly its cheesesteaks.

In owning, running or working for a franchise such as McD's, you're hanging your hat off of a corporate conglomerate and those are not in favour in America any longer. The Chinese do a better job of running KFC's in China than Americans do of running them in the USA.

James Beck
[Answered Jul 13, 2017](#)

In the early 80s, McDonald's owners would tell you that you needed to own 3–5 stores before you were making serious money. You can make a decent living from one store now, but your margin and return on assets will be poor.

Consider then that if you bought five stores in 1980, you were already rich, looking for someplace to park your money, and not very bright. Smart, rich people were and are making more productive and profitable investments.

James Beck

[Answered Jul 13, 2017](#)

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Adam Goldman, Best Selling Author| Founder of FranchiseCoach.net (2009-present)

[Updated Jun 26](#)



Is a McDonald's Franchise Profitable to Own?

Is opening a McDonald's franchise profitable? How much will it cost you to open your own franchise?

Per the Item 19 in McDonald's franchise disclosure document, the total investment to buy a McDonald's franchise ranges from \$1 million to about \$2.2 million. This is higher than most people think. The franchise fee that is advertised is \$45,000. Most people think that it is the total amount they need to buy a McDonald franchise.

If you are considering investing in a franchise business opportunity, but not sure which brand to choose, I am offering, for a limited time, a free franchise consultation. Contact me [here](#).

If you want to buy a McDonald's franchise, then you need to have liquid capital of at least \$750,000. Also, you need to prove that you know how to manage a business. This is because when you open your own franchise, you will be managing between 50-125 employees depending on the size of your store. If you thought that operating a McDonald's restaurant is simple and straightforward, then you are in for a huge surprise. Operating a McDonald's restaurant is not as easy as many people think. McDonald's will require you to actively participate in all aspects of the business and you will not be allowed to sell your business to someone else. In addition to the fee that you will be charged to buy a location, you will also pay a royalty fee of 4% of your gross sales, and a promotion and advertisement fee of 4% of your gross sales. This fee can be even higher if you conduct independent marketing campaigns. There are additional fees like employee salaries, monthly rent, software and licensing. The amount of money that you will pay for base rent will depend on the total amount of money that McDonald's has spent on the acquisition and development of the property.

How much profit can you earn if you invest in a McDonald's franchise?

This is a question that anybody who wants to invest in this business is dying to know. The amount of profit that you will make from McDonald franchise is not constant. It varies from unit to unit depending on several factors including how long your unit has been operational as well as the location where your business is located. Janney Capital Markets estimates that if your restaurant grosses 2.7 million dollars, after you deduct all your expenses including advertising, taxes, payroll, supplies, maintenance, utilities, rent and insurance you will net around \$150,000. This may come as a shock to many, especially to those who thought that McDonald's franchises are very profitable. Over the last few years, McDonald's Corporation has been facing financial challenges that have led to the closure of many stores not only in the US but also in other countries. A survey conducted recently revealed that the majority of McDonald's franchisees are not happy with the way the corporation is being run. Sources also indicate that in addition to the financial woes that the company is facing, its rich culture is fading fast.



So the big question is: is it prudent to invest in McDonald's franchise?

From the way things are going, it is clear that McDonald is not the dominant company that it used to be way back in the 1980s and 1990s. If you are considering investing in a franchise business, perhaps you should consider a brand with a higher profit margin and better lifestyle. Conduct your own research to see which option will best suit you. The one thing that is certain about becoming a McDonald's franchisee is that you won't become profitable for a while. If you want to make good money, you need to open multiple locations.

Tim Boardwell, former 40 Years of Paying All My Family's Health Expenses (1975-2015)
[Answered May 24, 2017](#)

They can be profitable if you have access to cheap money. If you have to invest huge amounts of personal capital, the returns are less. It is hard to find an area that does not already have a master franchiser opening stores.

There are other franchises that offer great profits. A Dutch Bros coffee franchise opened near a local University. They gave away 3500 drinks the first day as their opening promo. Within a year, they are the 2nd highest grossing store in the chain. A simple drive through with a walk up window cost almost a million to build. But, they always have a line. Dutch Bros sells a smile with a cup of coffee.

Apolo Kaggwa, CSO of BUKTW

[Answered May 28, 2017](#)

I wonder how anyone can create wealth for themselves, let alone have any to pass on, by managing a business for others, which is what franchisees do, even though the franchisers call them owners, when in fact they are not. It is the same as expecting to make a hefty profit as a wage earner, which has never happened, anywhere. I would not be surprised about the meager returns because a franchise could not be an investment, if by definition the returns are unsatisfactory, the franchisee having failed to do a thorough analysis of the operation before purchasing it.

Ritesh, Centre in Charge and HoD at FDDI Chandigarh (2018-present)

[Answered Aug 22, 2017](#)

Typically, a franchisee business format gives you lower margin when compared had you been running a business on your own. But the advantage of franchising is that the sales and customer base is ensured from the day one as it is the replication of a successfully running business model.

For providing the franchise or licensing rights McDonald's company's initial charge is 45000\$ but if the restaurant is located in gas station or convenience store which is termed as McDonald's STO, the initial charge reduces to 22,500\$. For Satellites that is franchise located in mall, hospitals, airport etc, the initial charge is 0 to 500\$. Overall total investment for McDonald's franchise comes out to be 172,425\$ to 627,050\$ for Satellites and 837,750 to 1.2 million dollars for gas stations. A royalty fees called service fees is charged as 4% on gross sale per month and a rent or percentage rent on gross sale is also charged. However these data is for US franchise and same may not be applicable for other Countries including India.

As far as profit is concerned the volume of sale reveals the entire picture as in 2010 in US maximum sale was 9.8 million dollar for highest performing restaurant and even lowest performing unit's sale was 387.000 dollars. Thus the break even is almost assured to come in 2 to 3 years.

Pankaj Shukla, MBA Business Strategy, Cranfield School of Management

[Answered Nov 21, 2017](#)

Yes - its very profitable. In UK, average McDonald franchise owner can expect to earn about £75,000 to £100,000 a year. Average store costs about £350,000. To buy the franchise, you need about £75,000 of your own money and the rest can be borrowed. That is a return of around 100% on your invested capital (ROIC) for the next 20 years (or as long as you own the franchise).

Besides, your risk is minimal as product research, product development, marketing and other critical aspects of the business are taken care of by the company. It is not hand-off investment *per se*, you are expected to turn up and run it as 'your' business. But most restaurants are turn-key and run like a well-oiled machine, so your involvement is generally supervisory in nature.

McDonald is a highly profitable low-margin, high-turnover business. There is a reason why there are thousands of applicants per available store.

Calen Riggs, Former Department Head at McDonald's.

[Answered May 24, 2017](#)

Location, location, location are three words etched into my mind in business school. It doesn't always make the biggest difference, but it certainly helps.

When I traveled to San Francisco years ago we passed a McDonald's that was literally out the door. That was also with all registers and a full staff. To get that kind of money flowing through the store, those margins had to be very appealing.

The store I helped manage was technically my operator's money making store, even though we had our issues. Food cost/waste, road work, customer satisfaction, and more factored into why we weren't moving the kind of money we used to.

I don't think owning a franchise is worth it now compared to the past, but depending on many factors, it may be worth it.

Jesus Silfa

[Answered May 26, 2017](#)

Nobody has touched on the point that Mc Donalds is one of the biggest land owners in the US. McDonalds will trip over their self if u want to be a franchisee if u have actual land to be purchased and put the Micky d's on. They would rather own the land than give u the restaurant cause the land always makes money. My family owns 5 Micky d's, 4 Burger kings and 3 pollo locos....oh an you have to attend the university also. So as for profit my Aunt is a multi millionaire with and elevator in her mansion and tools around in her Range Rover like it's a Ford....I definitely say owning more than one helps.

David Hobbs, Crew Member at McDonald's

[Answered Nov 18, 2017](#)

1. Depends really, a Mc donalds store is a business (like any other) and really it depends on 1. The population that pass through the Area,
2. the economic hardships of the Area (can't buy maccas with no money) and
3. The cost of labour, that last one can be mitigated by working yourself and increasing automation but at the end of the day it really depends on the area your in and how you manage the store

Graham Bainbridge, studied Business at London School of Business and Finance (2010)
[Answered Feb 12](#)

McDonalds is the best-known brand in the franchise sector, Yes there is no doubt. The franchise serves more than 69 million customers every day with an estimated \$25 billion every year.



Now coming to the point, the success of a McDonalds franchise depends on a number of factors. And the two main factors are the brand name and system. Luckily McDonalds is a well recognized brand.

The system includes core values that had to be implemented, among the most important of which were service, quality, value, and cleanliness.

Almost 85% of McDonalds are run by franchisees and all are growing and continuing success of the brand.

Since McDonald's created its system for success, many other [fast food franchises](#) have looked at ways of creating systems and improving consistency.

Before taking any decision anyone must have a look at the [History of McDonalds Franchise](#) and It's franchising background.

1. Know more about
2. Why buy a McDonalds franchise
3. creating a franchising system
4. How McDonalds Influence on franchising
5. Adapting McDonalds to suit changing trends
6. Showing what's possible in franchising

Thank you!!

Winfred Habakkuk, I own and operate three businesses.

[Answered Nov 15, 2017](#)

Originally Answered: Is owning a McDonald's franchise profitable today?

In my opinion, owning a McDonald's franchise is not profitable today. As we know, McDonalds is a fast-food franchise from America. It requires a certain number of franchise fees if you want to join it.



In the last few years, the number of McDonalds' franchisees increase rapidly, the competition is very stiff. If you want to launch a startup, you can get to know the "[kids mural](#)". With it, people can finish a gorgeous full-wall painting with 2 hours even without any painting skills. Also the kids can DIY alone. So pretty and easy, definitely the new trend of home decoration. Now they are looking for distributors and exclusive agents all over the world. The initial investment is very little, no franchise fee, no agency fee, only 2000\$ first purchase you can be their distributor to start your own business. Of course, you can apply a sample before you make up your mind and experience it by yourself.

Jonathan Ozovek, Chief Operating Officer (COO)

[Answered Jul 13, 2017](#)

Owning one franchise will likely not provide enough scale and reach to make serious money. Most franchisees are putting in long hours and the take home is not great if you consider hourly rate. Only when there are multiple franchises can an owner start to disconnect their time from income.

There are exceptions, but the rule of scale and reach nearly always applies.

Christopher Larsen, former Hospital Program Development (2008-2016)

[Updated Aug 30, 2018](#)



It can be profitable. Of course it depends on the basics of business. Too bad too many owner/operators have forgotten that it is a business responsibility to connect with your community.

It also depends how much the corporate franchiser has to finance to get you up and running. The more you have available in liquid assets - the lower your mortgage - the higher your profits.

Carol Marie, Journalist, Entrepreneur, Creative Writer

[Answered Sep 6](#)

As far as restaurants go, McDonald's is indeed profitable, but it depends on your definition of "very." The average home-grown restaurateur makes a profit of \$37k per year. I assure you that McDonald's franchisees are making much, much more than that! McDonald's is the king of consistency, which is the fundamental value of their franchise. We can drive up to any McDonalds and know that we will get the same quality that we would in any other store. Even though it's not fabulous food, it's predictable, and people like that.

McDonald's is also one of the most expensive franchises to buy into because they will make it difficult for you to fail if you follow their processes to every detail, and they give you plenty. I know that when someone mentions franchise, the first thing we think of is a company like McDonald's. In reality, however, there is a franchise for just about everything that the public desires in goods and services, so set your sights broader. There are some that you pour your heart, soul, and livelihood into, and others that require less effort for those who are easing out of the mainstream but wish to maintain some kind of income.

If you are seriously thinking of franchises, I highly recommend getting in touch with a franchise consultant to help you explore all of the options. Consultants like [Hundred Acre Consulting](#) work with people like you to find the right match of the franchise to your interests and lifestyle vision. They also stand in your corner through every step of the process at no cost to you. Don't go it alone with help is out there!

Floyd Green, Floyd Green CPA provides tax and financial advice to businesses in all 50 states

[Answered Oct 6, 2015](#)

McDonalds has one of the strongest brand names in the world. However, in terms of profitability, you must look at lots of factors and not just the strong brand name. You must consider the:

- the cost of buying into the franchise
- the expected profit of the franchise
- the expected growth of the franchise
- the revenue trends for the franchise
- the current customer base of the franchise and the evolution of that customer base

In our Buying A Franchise guide, we provide lots of additional information on evaluating a franchise. [Guide-4 - Buying A Franchise](#)

Joel Libava, Writes for The U.S. Small Business Administration

[Answered Sep 11](#)

You bet it is.

As a matter of fact, McDonald's franchisees can *definitely* create wealth for themselves. But there's something you need to know. And it has to do with money.

For the answer...the real answer, [read this](#).

Related Questions

- [What is the most profitable franchise?](#)
- [Can you get wealthy by owning franchises?](#)
- [How do I open a McDonald's franchise in India?](#)
- [What can I do to get a franchise from Domino's, KFC, or McDonald's? What might be the total investment I need to make?](#)
- [How much money can you make through a McDonald's franchise?](#)
- [How much money does McDonald's give from each Happy Meal/Mighty Kids Meal to the Ronald McDonald House?](#)
- [I have a friend who runs a Tim Hortons franchise and claims to make about 30k a month net profit. Is that possible? Can you tell me \(even if d...](#)
- [What is the cost of a KFC franchise in India?](#)
- [How much investment is there in a McDonald's franchise and how much profit can you earn approximately?](#)
- [Do Jimmy John's franchises make a lot of profit?](#)
- [How much does it cost to open a McDonald's franchise in India? What are the returns if it doesn't work?](#)
- [Is a McDonald's franchise a safe investment?](#)
- [What is the profit margin for fast food franchises like McDonald's and Domino's Pizza?](#)
- [How much does a typical McDonalds outlet net to the owner?](#)
- [Is owning a fast food franchise worth the time and money invested?](#)

