MARKETING FUNDAMENTALS

LCBB4004

Assessment 2

Marketing Fundamentals Analysis and Evaluation

CASE McDonald's

BY

MOSTAPHA BOULKHEIR

2114677

Name of the Lecturer: Tushara Balendran

University of Wales Trinity Saint David

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Introduction

The story goes that the real founders of McDonald's were Dick and Mac McDonald who opened the first restaurant called "McDonald's Bar-B-Q" in San Bernardino, California back in 1940. In 1955, Ray Krock (a blender salesman) founded "McDonald's Systems, Inc.". Based on the idea of the two Krock brothers, he focused on economic expansion, creating an innovative, streamlined but very restrictive franchise system but applying the brothers' innovations at an operational level.

In just a few years, McDonald's became a famous brand, which was able to perceive the Americans' desire for fast food.

In 1993, McDonald's also introduced the now famous McDrive, the possibility of ordering a take-away menu and eating it inside the machine or afterwards.

Legend has it that this McDonald's was located near a military base and soldiers were not allowed to leave the machine while wearing their uniforms. Thus, the idea of the McDrive!

The brothers' characteristic speed of production was maintained by Krock who, however, applied the logic of profit at the expense of the quality imposed by the founders. (McDonald's, 2021)

McDonald's brilliant communication

McDonald's has about 35,000 restaurants worldwide, operating in more than 110 countries and territories. There are approximately 120,00 people employed by McDonald's in the UK and over a million worldwide and an estimated turnover of $25 billion per year.

How did Krock and his successors become so successful? Because of his marketing!

A definition of marketing that McDonald's uses is the following: "Marketing is engaging customers and managing profitable customer relationships" (Kotler, 2020).

"What is marketing? Many people think of marketing as only selling and advertising. We are bombarded every day with TV commercials, catalogues, spiels from salespeople and online pitches. However, selling and advertising are only the tip of the marketing iceberg"(Kotler, 2020).

McDonald's basic marketing is very different from, for example, other brands that change advertising campaigns and small details according to the cultural context of the target group to which the message is addressed. But it aims instead at a hybrid global marketing.

At the beginning of its success, McDonald's marketing was almost dogmatic and global, i.e., every element was repeatable and had to be standardized. McDonald's marketing "assumes the universal reproducibility of the principles of 'efficiency, calculability, predictability, and control'".

In the early days, the fast-food chain imposed strict rules on the production of sandwiches that are still used today: “the hamburger had to be 1.6 ounces in weight, 3.875 inches in diameter, the bun 3.5 inches in diameter, and the fries had to be 9/32 of an inch thick. A kind of unyielding discipline in making a simple hamburger!” (McDonald’s, McDonald’s History, 2021).

But in the following years, after the various attacks on the brand, it had to evolve both in terms of communication and philosophy. So it became a brand with global marketing. In some cases, there are promotions, partnerships and advertising campaigns that differ from country to country.

In short, times change, needs change and it is only with flexibility and the drive for change combined with a strong reaction to criticism and attacks that McDonald's marketing still works today. (GANTI, 2021)

Flexible marketing that adapts to needs

McDonald's has always exploited various communication channels: from TV to radio, from in-store promotions to charity operations (such as the creation of the Ronald McDonald's foundation) and very much online, using extremely powerful software, which, not surprisingly, inspired the delivery functionality (Business, 2021).

In short, McDonald's marketing is heterogeneous and ready to handle attacks of various kinds.

Since the 2000s McDonald's has been accused of being a purveyor of junk food and, especially in the US, of being a major culprit in childhood obesity. But since its brand was famous for Super Size Me it had to react immediately, and McDonald's started a worldwide rebranding campaign of epic proportions. An unprecedented rebranding as they reinvented themselves in a few years to stay in the market.

The first step to clean up the brand was the introduction of nutritional values in full view on the packaging of sandwiches (in all markets, even those where they were not actually mandatory), giving a sense of transparency and closeness to the customer. Another intervention was the introduction of new products such as salads and, as mentioned, the focus on quality through targeted glocal campaigns.

All this is the result of an immense effort on the part of the company, which over the years has accompanied the new corporate philosophy with ingenious commercials that, on the one hand, support the quality of the product and, on the other, bring customers closer to the brand. All this reinforces the transparency and new values that McDonald's stands for. (Journal, 2001)

McDonald's impact Covid 19

The McDonald's group had a difficult start to the year 2020 due to the Covid-19 pandemic. At the start of the Covid-19 pandemic led to the closure of its restaurants, McDonald's had to shift its entire market to online food order delivery services by immediately implementing marketing to boost advertising and make its products available even during all closures.

When McDonald's restaurants reopened, they put in place a series of procedures and measures to protect customers from the risk of coronavirus infection. Table spacing, customer accompaniment and assistance in sanitizing hands, touch screen orders with immediate cleaning after use, distance markers in the restaurant and plexiglass barriers to prevent contact between customers. Employees also must undergo strict procedures before starting work: thorough hand cleaning, temperature measurement, mask, and gloves throughout the shift. This was the strategy employed immediately to deal with Covid 19 (McDonald's, COVID-19 Updates, 2020).

PESTLE ANALYSIS

BACKGROUND

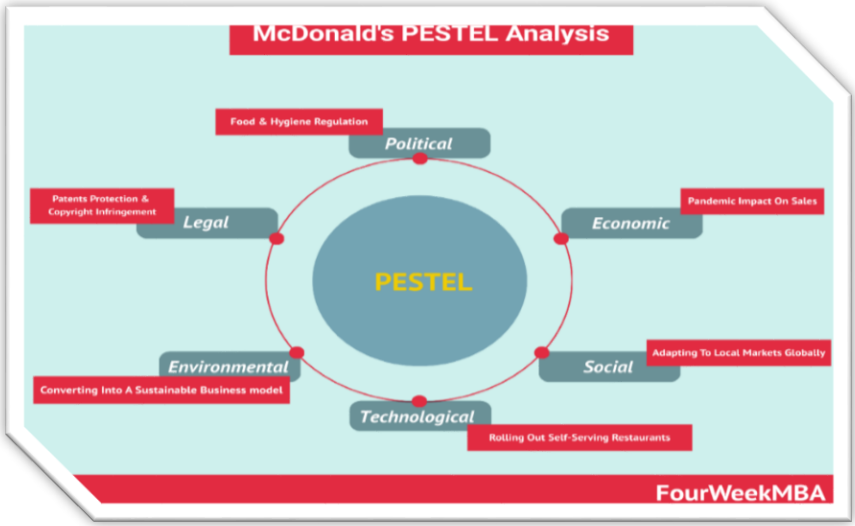
The McDonald's brand is one of the world's best-known, family-oriented fast-food restaurants with a convenient and fun dining experience.

The McDonald's company estimates a brand value of approximately 126 billion dollars, with locations worldwide.

With PESTLE analysis we want to study what factors influence this globally successful large chain.

PESTLE analysis is an indispensable framework for companies such as McDonald's, as it helps them understand market dynamics and continuously improve their business.

What is PESTEL analysis? This type of analysis that is widely used in business is sometimes referred to more generically as PEST analysis and is one of the foundations of marketing analysis.



This tool is used by companies to monitor the Macro-environment outside the company or when making decisions about the launch of a new product or project. The reason is simple.

The company is not a closed system but an open system that interacts a lot with the macro-environment around it. So, when it has to take decisions whose consequences also depend on the influence of external, uncontrollable factors, it must have a clear view of what is outside. Above all, it must understand how external factors can influence the launch of a product, the launch of a project or when making investment decisions. (Management, 2012)

McDonald’s PESTLE Analysis

Political Factors:

Political factors in the life of McDonld's play a major role.

Like many fast-food companies, the hygiene and safety factor for people leads to governments constantly updating their systems and regulations and keeping a watchful eye on refreshments. Governments are also targeting McDonald's for health issues, since we are talking about a fast-food restaurant, they always impose regulations to respect and inform customers. McDonald's must comply with all these political regulations, and if they are not complied with there will be an immediate closure, which will lead to many losses.

With the pandemic another limitation was seen, McDonald's global sales saw a 22% decrease and three quarters of all McDonald's shops operating with limited capacity. This was due to restrictions imposed by governments on social distancing or closures of shops and non-essential services.

Economic factors

Economic factors play an important role in the success of McDonald's business. The company does not only operate in one country but operates in about 120 countries. Attention is paid to different areas, which means that the local but also the global economy must be taken into account. If the economic situation in a certain area is not favorable or stable, this leads to enormous damage to profits. For example, a high unemployment rate leads to many people not having the economic background to afford to eat in a restaurant. This effect leads to a decrease in the restaurant's profits and even to closure.

Impact of the pandemic also saw a drop in McDonald's profits, as many people lost jobs or saw a drop in their earnings they started to try not to buy and try to save as much as possible.

Social factors

McDonald's company is known for how it manages to adapt to the needs of its customers in different circumstances.

In recent years many people are following a diet regime because they are concerned about their health. Many have moved away from 'junk food' and fatty diets. This has led McDonald's to make changes to its menus to keep customers on its side.

Another fact is that McDonald's can adapt its menus according to the country where it is located. Every country has a different food culture, so for example in India, McDonalds does not serve beef burgers but has replaced them with chicken.

These are interventions that McDonald's must do to keep up with the world.

Technological factors

McDonalds has always introduced new technologies to keep up with the world. In recent years they have introduced machines in their restaurants that allow their customers to order without having to queue in front of the checkout counter but simply using these large tablets.

The introduction of the McDonald's App has also allowed people to have much more information about the product they want and they can get directions to the nearest restaurant or even order their menu directly at home.

Through all these technologies McDonald's is constantly improving the level of stability in the market.

Legal factors

For McDonald's legal facts can create problems in different areas as its food safety standards and norms are very important. For example, in some developing countries the hygiene regulations are not so strict, and it might seem that in those places you can have an expansion without problems but with the growth of bureaucracies you might have very big problems.

Another legal factor is related to the imitation of his brand, which leads to lawsuits all the time.

Environmental factors

For McDonald's company, the environmental factor is very important, so in recent years it continues to work on making its process as environmentally friendly as possible.

McDonald's wants to reach the target of 100% of packaging material coming from renewable or recycled sources and recycling by 2025. McDonald's is also committed to installing energy-efficient kitchen equipment and LED lighting in all its restaurants to save energy.

(Team, 2021), (Cuofano, 2020)

SWOT Analysis

McDonald's brand mission is to be in customers' favorite places offering food and beverages. our worldwide operations are aligned around a global strategy called Plan on Win, which focuses on the exceptional customer experience-people, products, place, price and promotion. McDonald's is committed to continuously improving their operations and enhancing the experience of their customers.

Strengths

- Strongly recognizable brand.
- McDonald's brand is tenth in the world as the most valuable brand. The McDonald's logo is recognized by everyone as it dominates that sector.
- To offer an entertainment experience, which is very popular with young people in particular.
- Being able to adapt menus to local tastes.
- To provide a very fast service, with similar standard quality among different outlets globally.

The weaknesses

- Leverages especially with respect to very high staff turnover: there is a tendency almost of McDonald's to use very short time employment contracts, in order to facilitate from a labor cost point of view their numbers.

- Accusations of producing junk food, encouraging the spread of unhealthy eating patterns.
- Negative publicity that can damage reputations: recurrent attacks by environmental groups.

Opportunities

- Increased out-of-home food consumption.
- Increased demand for ready-to-eat meals.
- Possibility of intercepting new consumer segments.
- Development of new geographical areas.

Threats

- Increased consumer trend towards healthy eating.
- Market saturation in advanced countries.

SWOT analysis table with possible strategies:

MCDONALDS		*Internal analysis*	
		STRENGTHS: Strong brand, High fidelity, Wide product variety, Global presence, Process standardization, Promotion strategy, Competitive pricing;	Weaknesses: Limited process flexibility, Low product diversification, Negative publicity, High turnover, Declining market share, Western market dependence;
EXTERNAL ANALYSIS	OPPORTUNITIES: Expansion into developing countries, Expansion into the Middle East, Product diversification, Joint ventures	S-O strategies: Exploit the brand and competitive prices to expand into new countries; Create joint ventures with retailers due to global presence and famous brand	W-O strategies: Enter new markets to regain market share and decrease dependence on the West; Agree joint ventures to make the process more flexible
	THREATS: Aggressive competition, Healthy lifestyle, Mature market	strategies S-T: Focus on increasingly competitive pricing and aggressive promotion to combat competition	Strategies W-T: Increase product variety including healthy foods; Decrease dependence on the West by expanding into the Eastern market to widen the market

(Madhav, 2022)

The McDonald's Marketing Mix

Product

As a catering business, McDonald's has a product mix consisting mainly of food and beverages: burgers and sandwiches, chicken and fish, salads, drinks, snacks, shakes and McCafé.

The company places great importance on developing a menu that customers want. However, customers' needs change over time and to meet them it has introduced new products and eliminated old ones and will continue to do so in the future. With this kind of strategy, one has to be careful not to negatively influence the sales of a choice by introducing a new choice, which will cannibalise the sales of the existing one. McDonald's also focuses on 'localisation' by offering preferred food products in different countries or regions.

McDonalds has a diverse range of products and recently also offers vegetarian products, as this lifestyle is becoming increasingly popular in various parts of the world. The happy meal for children is a great classic, which always sells very well, also thanks to its free toys.

It also offers various breakfast products, such as bagels, biscuits, etc. When it comes to drinks, Coca Cola is McDonald's main supplier.

Price

McDonald's uses a lot of price bundling strategies: it is cheaper to buy a set of products instead of buying them separately. To make sure that customers buy more products, the company also focuses on psychological pricing strategies, which appear affordable to customers.

Its prices are focused on targeting mainly the lower-middle class, as the target customers are mostly young teenagers who want to be brand conscious and at the same time also want convenience.

The main competitors are KFC, Subway, Pizza Hut and Dominos.

Promotion

McDonald's uses the following tactics in its promotional mix; ordered according to importance in the business:

- Advertising
- Sales promotions
- Public relations
- Direct marketing

These tactics are ordered from most to least important in business. In fact, advertising is the most important of McDonald's promotional tactics: it uses TV, radio, online media, newspaper ads, billboards, signs, sponsors of various sporting events such as FIFA World Cup, Olympic games for its advertisements. McDonalds' television advertisements show people engaged in popular activities and are used to introduce people to a food product, while print advertising provides more details.

Sales promotions include discount coupons, freebies for certain products and product bundles to attract more consumers to the company's restaurants.

The company's public relations activities help to promote the business through brand building, while direct marketing is used much less and includes the involvement of corporate clients, local governments, and the organisation of events and parties.

Point of sale

McDonald's restaurants are in more than 100 countries and the company operates more than 35,000 restaurants worldwide. They are spread very evenly across all cities, making them very accessible to people. The McDrive option makes McDonald's products even easier and more convenient to obtain.

There is also a lot of use of mobile applications, through which customers can access information about the company's products, request special offers, find dining locations, place orders online (with participating McDonald's restaurants) and pay for those orders.

(MEYER, 2020)

Conclusion

The fast-food market is a mature market; therefore, McDonald's is also facing several threats and weaknesses at this time. There is also a lot of competition.

On the other hand, the company has strengths that are enough for it to continue to fight the competitors and find solutions.

McDonald's is the success story of one of the world's best-known brands, although it has come under intense pressure in recent years and is struggling to stay on top of the burger market.

Therefore, McDonald's is acting: marketing campaigns to clean up its image, identifying new targets, positioning itself towards the family market to win over children, and finally product differentiation communicated in grand style.

Above all, brand recognition, loyalty, pricing, and promotion are weapons it must continue to use strongly. The weaknesses of market share and low diversification are certainly the main ones to be solved. The hardest to reduce is negative advertising, as many people follow a healthy lifestyle and view McDonald's negatively, offering fatty and unhealthy products. This will have to be solved gradually, with the increasing inclusion of healthy products.

Making the most of its strengths, the company must gradually try to avoid threats and seize great opportunities to diminish weaknesses. A few strategies to apply, but fundamental for McDonald's if it wants to remain at the top in a saturated market.

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