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Assignment Title: Assessment 2. Marketing Fundamentals

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EXECUTIVE SUMMARY

The following assessment is divided into two parts. The first part regards how marketing creates value for customers. It will analyse how McDonald's has created and continue to create value for its customers and the society, exploiting technique as the *Ansoff Matrix*.

The second part will concern the Stakeholders: who they are, their roles, their relationships with business and the approaches used by McDonald's to communicate with its stakeholders. Starting identifying the difference between *Internal* and *External* stakeholder, and proceeding using the *Power/Interest Matrix* model to address the appropriate relevance of McDonald's stakeholders.

- The role of marketing in creating value for customers

-SOCIETAL MARKETING CONCEPT

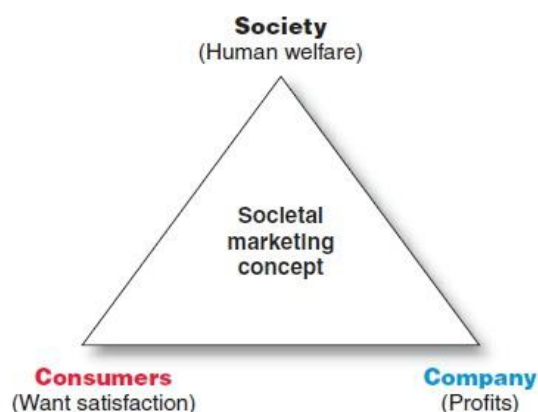
‘The idea that a company’s marketing decisions should consider consumers’ wants, the company’s requirements, and the long-term interests of consumers and society

(Kotler, et al. 2020 p.13)

Societal Marketing Concepts is driven by a clear goal that considers cost-efficiency, social responsibility, and effectiveness in a specific market. It implies the purpose of Marketing as an exchange that has value for both parties. As Jobber and Chadwick (2016) already mentioned, the role of Marketing is often misinterpreted in a negative perspective, perceived as a ‘gimmick’ to deceive the customers. The reality is the opposite: successful Marketing looks forward to creating a long-term relationship with the customers or clients that permit the business to survive.

Successful business comprehended that trying to maximize their profit without considering the value for the customer (e.g. overcharging the quality or providing poor post-sell customer service), may increase the revenue in the first period, however, will decrease the customer’s demand over time, damaging the business’s performance. Besides, a satisfied customer is willing to repeat the purchase, leading to a brand’s loyalty and recommend the brand, contributing to the brand’s network growing.

The Societal Marketing Concept goes beyond the Marketing Concept of creating shared value for the society, rather than for consumer only.



[Source: Kotler, Phil T., et al. (2020) p. 14]

McDonald's is practising the Social Marketing Concept supporting several activities. Below are reported a few of these:

‘What matters to you, matters to us’

(Corporate McDonald's, 2021a)

- Ronald McDonald's House Charities

Founded in 1974 by a partnership with McDonald's. The objective of the organisation is to assist and support the families during the child's recovery. E.g. providing accommodation for the families with the children in hospital, far from their home. Only the UK's organisation, since entered the UK in 1989, has helped more than 50,000 families. (Ronald McDonald's House Charities, 2021)



**Ronald McDonald's
House Charities™**
United Kingdom

[Source: RMHS website (2021)]

- Sustainable Agriculture and Beef

McDonald's launches numerous programmes to increase the sustainability of producing their food, contributing positively to the environment. E.g. Reducing emission, tackling deforestation in the beef supply chain. (Corporate McDonald's, 2021b)

-CREATION OF VALUE

The collection of benefits or values that a company provides to the customers in order to satisfy their needs is recognized as its value proposition. The value does not to be limited interpreted as an economical value (e.g. offering products at lower prices). However, it can be defined as an intangible value. The creation of a value proposition aims to give the customers a reason to choose a particular brand over another. It gives to the company the opportunity to distinguish itself from another organisation and gain a competitive advantage. The value's proposition is created by identifying the customer's problem, providing a solution and creating differentiation. Below are reported some examples of how McDonald's has created value for the customers.

-Identifying the problem

According to Love (1995), Kroc and Anderson (1987), the first McDonald's restaurant was a barbecue drive-in. Although It was an imminent success, the founders realize the lack of efficiency in their service, the average waiting time to be served was around

30 minutes and most of the time the order delivered was wrong. Many times, customers left unsatisfied, as their order was wrong and it would have taken too long to wait for a new one.

-Providing a solution

The founders decide to revamp entirely their existing operation. The new project was focusing on speed, volume and low prices. They replaced the broad menu with only the best selling product and the dishes with paper packaging, they abandoned the drive-in concept in favour of a walk-up counter, and they redesigned the entire kitchen to improve the speed efficiency in a way to deliver the order within 30 seconds.

-Creating a differentiation

This revolutionary and innovative idea of fast food had an incredible success. The ability to deliver the food in a short time, permit McDonald's to distinguish from the competitors and entice the customers that do not have time to waste, waiting for the food. McDonald's success started valuing the time of their customers, giving them the benefit to do not waste their time waiting to be served.

-Identifying the problem

(Military.com, 2016) When McDonald's opened the restaurant in Sierra Vista, AZ in 1973 its target market was prevalently militaries. However, the ancient regulation did not allow the militaries to leave their car with uniforms. McDonald's identified the difficulties of its customers to order the food.

-Providing a solution

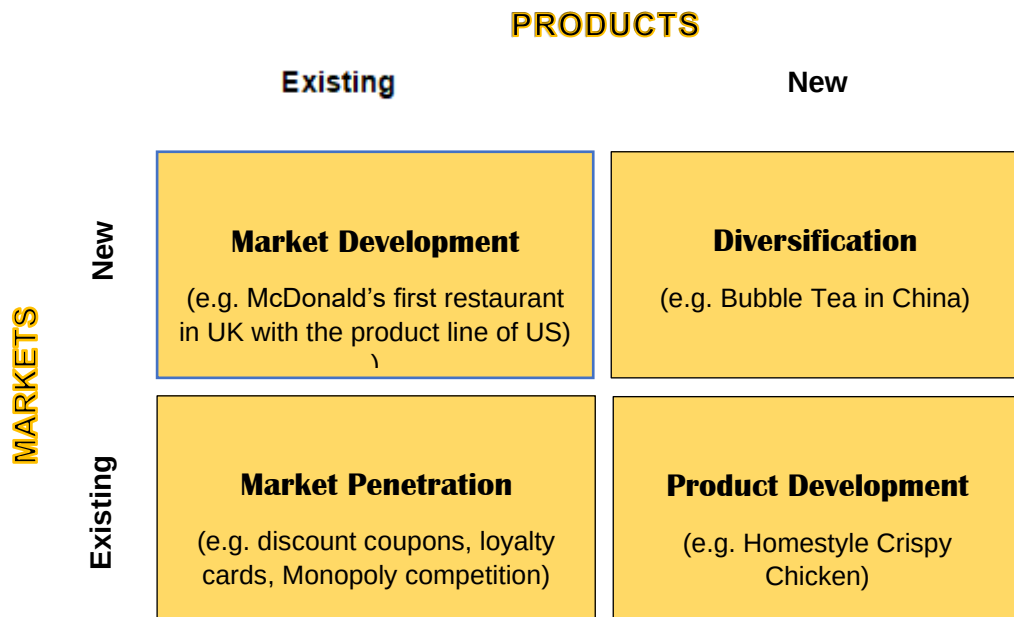
McDonald's provided its first Drive-Thru, opening a window in the store to take the military's order and to delivering food to them, without the necessity of leaving their car and breaching the rule.

-Creating a differentiation

McDonald's created value for the military, allowing them to order their food at any time. Contemporary it created an advantage over the competitors. For the military would have been difficult to order their food from McDonald's competitors as they did not provide the facility of the Drive-Thru. Currently, McDonald's Drive-Thru is creating value for the customers in a hurry that is travelling by vehicles.

-ANSOFF MATRIX SCHEME

McDonald's entered the market in 1940, however, its experience and ability to adapt to the environment, permit the company to grow and expands globally during the years. The company survived and became stronger exploit all the option of the Ansoff Matrix scheme.



[Source: website – Mindtools (2021)]

- Marketing Penetration
With all the many promotions E.g. discount coupons, coffee loyalty cards, Monopoly competition
- Product Development
Introducing a new product in the existing market. Besides the main production line, McDonald's introduces new product monthly in the UK. E.g. the current new product (referred to the date 9th March 2021) is the *Homestyle Crispy Chicken*.
- Market Development entering the new market with the main production line E.g. McDonald's opened the first UK restaurant in 1974 selling products of the original US Market as *Big Mac*, *Fries*, *Quarter Pounder*, *Cheeseburger* (Lynch, 2015). To the side, there is a picture of the menu used by the company to enter the UK Market in 1974.



[Source (Lynch, 2015)]

- Diversification
Entering in the new market with different products, related to the already existed. McDonald's flexibility to create new products for the local's taste and culture. E.g. the *Bubble tea* in China

-HOW THE ANSOFF MATRIX SCHEME BRINGS VALUE TO THE CONSUMER

- Marketing Penetration
With this strategy, customers gain the benefit of purchasing their products at lower prices (e.g. with discount coupon) or get an extra product (e.g. get a free coffee with a full stamp of loyalty card) or win a wide range of prizes (e.g. with Monopoly Competition customers can win several prizes as holidays or money).
- Product Development
New products in the menu e.g. it brings to the customers the value of avoiding repetitiveness, bringing new tastes and buying an improved product.
- Market Development
Opening the McDonald's in the UK brought to the local consumer the benefit to access the McDonald's products and services (e.g. fast-food services), satisfying customer's needs and wants.
- Diversification
The consumer can gain more variety. Customers may prefer the brand over the competitors and with the entrance in the new market with new products they have the benefit to choose over the existing competition.

-Advantages and Disadvantages of the Ansoff Matrix Scheme

(Hague, 2018) The model has the advantages of being clear and simple to use. It assists the Business in identifying the strategy and the opportunity of growing at a lower risk.

However, the model does not consider external factors as competitions. It should be used integrated with others model e.g. PESTEL or SWOT analysis to have a complete picture. The model does not consider also the cost involved in the strategies.

Furthermore, the reaction of the consumer cannot be accurately predicted e.g. Best Buy Co. company, despite the success it has gained in the US, when it entered in 2006 using a Market development strategy in China's market, it underestimated the local's competitors and it failed in 2011. (O'Brien, 2015).

-HOW MARKETING BRINGS VALUE TO THE CONSUMER

- Informing and educating the consumer

Marketing can create awareness for the consumer, especially with promotions. Providing information can facilitate a consumer's purchasing.

- Managing consumer expectations

The consistency created from the Brand creates awareness of consumer's expectations. Brand's standards create consumer's standard expectations.

- Economic benefit of Marketing

All the business, but particularly large business with an economy of scale, contributing to the economic growth, e.g. providing job opportunities and increasing the GDP and GVA.

E.g. In 2017, the estimation of McDonald's contribution to the GVA is estimated at £ 3.36 B supporting 165.020 jobs. 56% of the value is directly contributed, while 24% is indirectly contributed through UK suppliers. The rest 20% is estimated as the induced value of the spending money of McDonald's employee. (MCD Report, 2019).

- Stakeholder engagement and their impact on the marketing activities of an organisation

-STAKEHOLDER

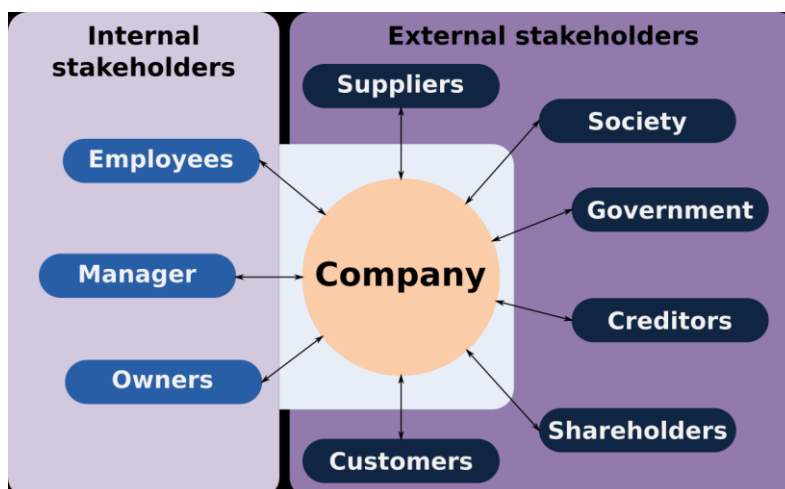
'any group or individual who can affect or is affected by the achievement of the organization's objectives'.

(Freeman, 1984 p.46)

-INTERNAL AND EXTERNAL STAKEHOLDERS

‘Our customers, our suppliers and our employees are our main stakeholders. But as any business would, we engage with a wide variety of audiences that have an interest in the communities in which we operate’

(McDonald's, 2021)



[Source: Wikipedia (2021)]

Stakeholders can be classified into two categories: *Internal* and *External*.

-Internal Stakeholders

Also called *Primary Stakeholders* comprehends the individuals or groups that have a direct relationship with the organisation. As shown in the graph above employees, managers and owners are considered as *Internal Stakeholders* as they are directly impacted by the business's performance. E.g. Manager achieving a high salary bonus for high business performance, or employees losing their job for the business's failure. E.g. (Corporate McDonald's, 2021c) a few of McDonald's *Internal Stakeholders* are:

- Christopher Jhon Kempczinski
president and CEO of the company.



[Source: LinkedIn - Chris Kempczinski (2021)]

- The board of directors,
as Enrique Hernandez, Jr. (Chairman of the Board), Lloyd H. Dean (committees: Audit & Finance, Compensation), Robert A. Eckert (committees: Governance, Public Policy & Strategy, Executive), Catherine M. Engelbert (committees: Audit & Finance, Public Policy & Strategy).

-External Stakeholders

Also called Secondary Stakeholder, comprehends the individual or groups that are not inside parties of the business, as management or employee, however, they are influenced by the action of the organisation and vice-versa. E.g. Suppliers, Society, Customers, Government. E.g. A supplier who raises the price of the raw material will affect the profit of the organisation, like a dissatisfied customer who could switch to the competition. E.g. a few of McDonald's *External Stakeholder* are:

- Society
E.g. McDonald's Corporation Annual Report (2019 p.5) states 'the Company continuously monitors developments related to environmental matters, and

endeavours to improve its social responsibility and environmental practices to achieve long-term sustainability, which benefits McDonald's and the communities it serves.

- Government

E.g. Financial reports show that McDonald's UK paid £ 75 million in tax for the year 2018. (Partington, 2019)

-HOW MCDONALD'S COMMUNICATES WITH THE STAKEHOLDERS

- Internal Stakeholders

(McDonald's, 2021) McDonald's has an internal department unit that handles messages to the employees and stakeholders, using several channels as weekly newsletters and intranet at the website Ourlounge.co.uk

- External Stakeholders

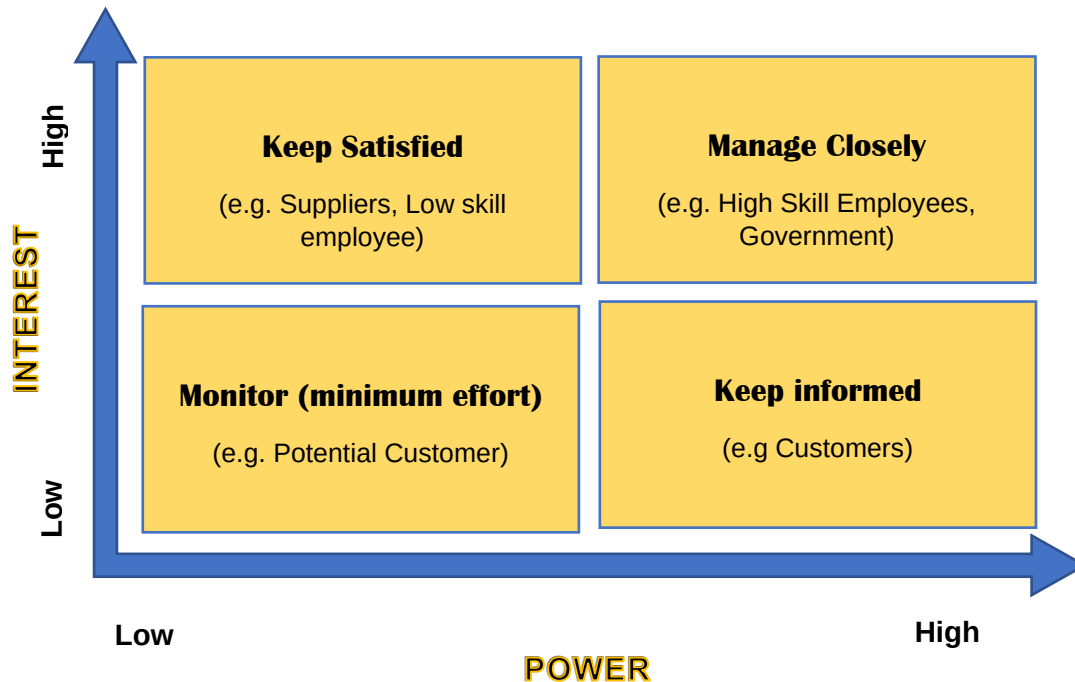
(McDonald's, 2021) McDonald's IMC exploits a broad range of channel to communicate with the stakeholders. E.g. Tv, Radio, Social Media, Internet, Newspaper and Magazine's advertising, Publicity, Public Relations, Direct Marketing, its website, Billboards, Sponsorships. Besides, McDonald's has a Media Team to handle press enquires.

-MCDONALD'S STAKEHOLDER ANALYSIS

Freeman (2010), the major representative of *The Theory of Stakeholders*, to develop appropriate strategies, suggested the importance for the managers to identify the level of relevance and impact that the stakeholders have with the organisation, and vice-versa.

Lately, in 1998 Eden and Ackermann had introduced the model *Power/Interest Matrix*, a tool to help managers mapping the stakeholder and implementing accurate strategies. The model divides the stakeholder based on the level of their interest in the organisation and their power to influence it.

POWER / INTEREST MATRIX



Source: Smartsheet (2021)

- KEEP SATISFIED

- Suppliers

McDonald's is using a wide source of suppliers. Although an increase of prices from the suppliers would affect the profit, McDonald's economy of scale leads to low power's suppliers over the company, and to high interest' suppliers, willing to meet the McDonald's High Standard and Code of Conduct to maintain a business's relationship. (Corporate McDonald's, 2021)

- Low Skill Employees

(The Guardian, 2007) The term *McJob* was created to identify the Low Skill Employees that work for a company. Those employees are then easy to be replaced, resulting in low power influence over the company, however with high interest. Although if a single low skill employee has not much power to impact the company, the low skill employees

considered as a whole could affect the company e.g. doing a national strike like the one in London in November 2019. (Chapman, 2019)

- MANAGE CLOSELY

- High Skill Employees

- E.g. (Lucas, 2019) When McDonald's ex CEO Steve Easterbrook was fired for misconduct, McDonald's share value dropped their value. High Skill Employees have a high interest to work for McDonald's and have high power to impact the organisation.

- Government

- Government can strongly impact businesses with new policies and regulations. E.g. the introduction of the sugar tax affected an increase in prices for McDonald's products. (Evans, 2018).

- As already touched upon above, (Partington, 2019) McDonald's is paying a large amount of taxes every year. Furthermore, as shown in MCD Report (2019), McDonald's relevantly increase the nation's GVA, involving high interest from the Government to the organisation. E.g. McDonald's UK GVA tally over the past 45 years amount to around £ 54.5 Billion.

- MONITOR (MINIMUM EFFORT)

- Potentials Customers

- Potentials Customer can influence the Marketing Strategies of McDonald's e.g. the Marketing Mix. These new Marketing Strategies can then influence the customers, e.g. satisfying their needs.

- KEEP INFORMED

- Customers

- Customers have high power over McDonald's as are influencing the business in a numerous way. E.g. Profit, Marketing Mix Strategies. Customers interested in the company can be considered low as the many substitutes and alternatives are offered in the market.

-DISADVANTAGES OF THE POWER / INTEREST GRID

Since it focuses on the power/interest roles of individual stakeholders, the model is ineffective for defying relationships, interactions, and influences among stakeholders.

The content of the interest is not evident and may be missed by evaluating the different stakeholder's interests and power on an ordinal scale.

The stakeholder's interest can be linked to several aspects of the organisation life cycle. The determination of interest is a shaky foundation for developing an engagement strategy. (Gilbert and Schipper, 2019).

CONCLUSION

McDonald's is involved in numerous activities, creating value not only for customers but for the community and society. The creation of values is beneficial for both parties and helps business to create long-term relationships with their stakeholders. The stakeholders can be divided into Internal and External stakeholders. Certain stakeholders may be more relevant for the business or required different communication approaches. Different techniques, as the Power/Interest Matrix, can help managers to classify the stakeholder and develop communication and business strategies.

RECOMMENDATIONS

Despite the Integration Marketing Communication, McDonald's is lacking in Celebrity Endorsement. It could rely on social media influencer to expand its network and communicate with the stakeholders.

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