

Marketing Fundamentals

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Assessment 2

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Table of contents

Introduction	3
Marketing definition	3
Macro environment and micro environment.	3
PESTLE analysis	4
SWOT analysis	6
Segmentation	8
Targeting	8
Positioning	9
Marketing mix	9
Conclusion and recommendations	10
References	12

Introduction

This report is looking at the marketing process and is emphasising the elements by analysing the activity of McDonalds. McDonalds is operating in the fast food industry and is present in many countries globally.

It is an American organisation that was founded in 1948 in California by the McDonald's brothers. It received help in 1954 from a business man who helped them grow and started franchising the restaurants. Later on the brothers sold him the business rights (Statista, 2021).

The marketing strategies developed by McDonalds had led to business growth and strong brand name. The organisation has a strong position in the market and exceeds the activity of many of their competitors.

The pandemic has affected the food industry because Governments had to close temporarily the restaurants in order to reduce the spread of Covid 19. In lockdowns McDonald customers had been ordering food through Drive-ins and when the organisation partnered with delivery companies, it was made available home delivery.

Marketing definition

Marketing is "the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably" (The UK Chartered Institute of Marketing, 2015).

This definition had received criticism as it suggests that profitability is the only outcome of the marketing. A more simpler approach to define marketing it identifies that it is the sum of the activities occurring the interface between the organisation and the customer, where the aim is to ensure customers will choose the organisation before others. The organisation has to be able to manage the customers demand and expectations regarding the quality and price. Through marketing the organisation can use the customers needs to ensure the success of the business (Blythe, Martin, 2019).

Macro environment and Micro environment

The market environment is in continuous change as it can be influenced by a variety of factors, microenvironmental or macroenvironmental factors. The microenvironment is defined as the sum of the forces that happen near the organisation and it impact its ability to serve customers. Examples of such forces are the customers, the suppliers, the competition, the market channel or the public. Macro environment are the factors that are external to the organisation and these forces affect the market activity as a whole. Examples of such factors are political, economical, socio-cultural,

technological and environmental. The instrument used to analyse the macro environment is the PESTLE analysis. An organisation might be able to control some elements from the microenvironment, but it can not control the elements from the microenvironment. These forces are moderating and affecting the behaviour of all the actors from the market (Kotler, 2009).

According to Kotler (2009) a successful organisation will have a superior decision making when it is able to control elements related to the microenvironment. The organisation can shape the organisational culture, it can create policies and it can create strategies in order to achieve their objectives.

The competition in the microenvironment is realised on three levels discretionary income, product competition, brand competition. An organisation has to identify the most suitable to adapt to the macro environment factors (Solomon, 2011).

PESTLE

Political factors

The political factors relate to government actions, policies, taxation, levels of stability, incidents of strikes etc. The political stability is very important for a country as it builds confidence in the economy. In the United Kingdom taxation is at normal levels in comparison with other countries from Europe, but Brexit has impacted the markets. There are strict health regulations that affect the fast food industry. Pandemic has impacted greatly the economy and the market as Governments around the world had to shut down business and introduce lockdowns in order to reduce the spread of the virus. Business had to follow the governmental policies.

McDonalds had to close all their restaurants, but it has been lucky that it already had a system for food collection McDrive and it has developed collaboration for home delivery with UberEats. The fast food provider had to implement the Governmental policies related to social distancing and it had to adhere to all the measures imposed. It provided antibacterial stations, it ensured the surfaces were cleaned as often as possible.

Economic factors

The economic factors are impacting the markets greatly. The pandemic has increased unemployment and it has led to small business to close as they could not survive with being closed for so long and when the stores opened to customers being reticent to get exposed to the virus. The annual revenue for McDonalds had decreased 16.07% in 2020. The power of purchase of the customer has decreased also, but on the positive side McDonalds had benefited of the

situation because of the business type. Customers would eat more fast food because of the cheap price rather than going to more expensive restaurants (CNBC, 2020).

Social cultural factors

Society has become more aware of the importance of eating healthy and fast food it has the label of junk food. Some or more aware of dietary intake and sugar intake. McDonalds has adapted to this trends and has introduced different options for health-conscious customers. It has introduced the option of adding sugar by the customer. McDonalds has also tried to create local menus for diverse markets taking in consideration culture and lifestyles.

Technological factors

Technological factors can improve the business efficiency and it can satisfy the customers expectations. Nowadays customers expect some levels of technology because they use technology at home. McDonalds had incorporated latest technology in many of their operations. It has introduced a digital payment system, self serving kiosks, tablets for kids to play at the table. Technology has improved the efficiency of placing orders, it has reduced the waiting time and it had made the experience more agreeable whilst eating in McDonalds. do not have a big impact but the company should use correct channels of marketing, targeting low and middle income population specially TV channel, free newspapers and internet.

During lockdown McDonalds has increased its e-commerce activity and had introduced home delivery with Uber Eats and Door Dash. This was McDonalds attempt to minimise loss due to pandemic.

Legal factors

The legal factors can influence the market activity as it can impose different policies, minimum wage, regulations and food standards. During pandemic it has been created legislation to protect the population and business had to adapt and make the required changes. In the UK there is a concern related to obesity and child obesity and Government has created different legislation on sugar, on fat content, on the size food, on the distance from a school unit.

McDonalds follows the health and safety standards and regulations, labor laws from each country where it operates. It also follows the pandemic regulations imposed by governments.

Environmental factors

The environment is a big concern for the British society and people and Government is putting pressure on business to recycle and reduce plastic. For example in the UK, the plastic straws are not allowed anymore. Also there are regulations regarding oil storage, recycling methods.

McDonalds complies with the recycling requirements and it has put in place strategies towards that, it has installed more than 1000 recycling units for plastic recycling and it has introduced paper packaging as much as possible.

McDonalds is working towards creating a positive brand image and it works towards developing healthier menus, recycling and having a sustainable activity. It also has to deal as majority of business with the pandemic threats and identify ways to surpass the external factors impact.

SWOT analysis

Strengths Diverse products and menus Good value for money Know brand (10th most valuable brand in the world) Financial resources Global franchise system	Weaknesses Slow reaction towards customers needs such as organic food products Some products considered unhealthy
Opportunities Business growth in developing countries Innovative menus Flexibility over menus Digitalisation	Threats Brexit Pandemic Negative media publication Competition Governmental regulations towards healthy eating

Strengths

McDonald's is a global player that is recognised everywhere in the world. It is an iconic brand for the fast food industry. Customers appreciate the fast service and consider that they receive good value for money. McDonalds is a large company with high resources and be able to have economy of scale and keep a low price. the organisation it is also very careful when getting supplies and has

Hugh standards for food hygiene. In 2019 the brand value was worth more than \$130 billion. They also get revenue from renting as they buy the land where their franchises operates. There are more than 20000 franchised restaurants with a total of more than 38000 McDonalds restaurants present in more than 100 countries. McDonalds has invested in technology to make the customer experience better and their operations more efficient. This created an image of restaurant of the future for McDonalds (Statista, 2021).

Weaknesses

It is considered that McDonalds has a slow reaction towards customers needs and does not meet many times the customer demand for organic or low fat products. Some products are considered unhealthy and at times negative media coverage can affect the brand image. Another weakness can be the dependence to the suppliers which can create shortage of some of their products. Another weakness can be their franchising system where the lack of control over management can lead to low performance and decrease in customer satisfaction. McDonalds practices a low wage system and many times their employees are considering the job temporary as the job can be hard and with long hours and at times criticised for being a hostile working environment. This can impact negatively the brand reputation.

Opportunities

McDonalds could improve its management structure and the organisational culture to have more satisfied employees. Satisfied employees work better and towards the organisation goal. Another opportunity could be the creation of a more innovative menu, like celebration products, cultural based products, organic products. It can rebuild the junk food image by having a more diverse offer of healthy products and customised offerings. McDonald's should also take in consideration the effects of the pandemic and should invest in expanding their drive-ins, pick ups and self kiosks to attract more customers.

Threats

The pandemic is the most current threat that affected hospitality industry, including fast-food. According to Reuters (2020), McDonald's had a loss of 4% in the value of shares in 2020 and still faces economic uncertainty. Although beneficial for the business, technology can be considered quite risky as it may not generate the expected returns. Competition has diversified from Burger King and KFC to Starbucks and Costa. Operating as franchise can be a threat for McDonalds if it is not managed with great details and understanding of the location and country. Another threat is the rise of healthy eating lifestyle and governmental involvement by introducing tighter regulations for the fast food industry.

The SWOT analysis has highlighted that McDonalds is a strong competitor in the market that has created an impressive awareness for the brand globally and has build a strong position among competitors.

Segmentation

The segmentation is defined as the process through which a larger market is divided in smaller segments that have one or more shared characteristics. When developing a new product the organisations evaluate the market and divides it by differences related to demographic, geographic , psychographic and behavioural elements. This process involves the decision making on the targeted category (Solomon et al, 2011).

Because McDonalds is a international organisation present in many markets is addressing to different segments. The segmentation criteria fro McDonalds is geographic the region and density of the population; demographic the age, gender, life-cycle, income and work position; behavioural the personality, the user status, the benefits orientation, the loyalty orientation; psychographic the social status, lifestyles. Therefore segments in McDonalds can have variate characteristics from individuals that have a busy lifestyle, that want to eat a quick meal to other segments that includes families and teenagers with products addressed to them such as Happy Meal, other segment is health conscious with a products such as salads and vegetable based product (Malacoff, 2020).

Targeting

The targeting is the “strategy in which marketers evaluate the attractiveness of each potential segment and decide in which of these groups they will invest resources to try to turn them into customers” (Solomon et al, 2011).

It is important to conduct a complex analysis in order to avoid neglecting potential customers.

The concentrated marketing only market to on segment, it is known as niche market. The organisation focuses on excelling at only one segment from the market.

Undifferentiated targeting is when the marketer considers the market homogenous and intends to mass market in order to appeal to as many customers as possible. This does not take into account the differences within the segment. McDonalds practices undifferentiated marketing because it addresses to people all age that want to enjoy a quick meal.

In contrast differentiated targeting is when the marketer considers two or more segments at a time. For example McDonalds targets the family, children and teenagers with healthy meals, salads, fruit and vegetable bags, Happy Meal Box. When the organisations focus on a smaller segment it has

more credibility as it shows that the organisation cares about what the customers need and what it please them. Social media and usage of internet has helped the marketers to identify and understand better the customer. This platforms allow an interactive communication that is very valuable for the organisation.

Positioning

The positioning is “the place a product occupies in a given market, as perceived by the relevant group of customers” (Wind, 1984). The expectations of the customers for the product is important for the marketers to adjust the marketing mix in order to give an effective position to the product or service. According to Blankson, Kalafatis (2004) the positioning can be determined by factors such as top-of-the-range, Service, Value for money, Reliability, Attractiveness, Country of origin, Brand name and Selectivity knowledge.

Marketing Mix

In the process of marketing it is dealt with the marketing mix that includes product, place, promotion and price. The product should be created and developed in accordance with what the customer wants and expect to receive. The place refers to the system created by the organisation to make available the product to the customer. It can be online, physical store, printed catalogue, direct sale. The promotion is the method chosen by the organisation to promote the product to the customer. It can be through advertising, sales promotion, personal selling, public relations. It has to be appealing to the customer with the right message and through the right channel. The price has to be seen as value for money and it depends on the characteristics of the product and the customers perception (McCarthy, 1987).

The 4Ps model it is very useful for marketing process, but with the development of the services it has been elaborated three more elements the 7Ps model that includes people, process and physical evidence. People represent the persons that are involved in the relationship with the customer, with the business activity. The process cumulates the activities through with the service is delivered. The physical evidence is the sum of the elements that create a physicality to the business activity such as restaurants, bills, brand logo and many others (Raddats, Easingwood, 2010).

Product

McDonald's is a fast food provider that offers a product mix of food and beverages. It sells hamburgers, sandwiches, chicken and fish preparations, salads, sides such as vegetables, chips, desserts such as doughnuts, pancakes, cookies, pies, ice cream , snacks, shakes, breakfast and

McCafe. McDonalds adapts their product to the countries where they operate such as more fish choices for asian countries, halal ingredients for muslim countries. The product strategy indicates that McDonald's strategy for growth is looking to satisfy the markets and diversify their products.

Place

McDonalds distribution system that is the most prominent are its restaurants. McDonalds also distributes their products online, using their website, using their McDonalds app, self services kiosks. The McDonalds restaurants generate the biggest revenue, but with the pandemic virtual places gained importance.

Promotion

The promotion is defined by the tactics used to communicate the customers about the business activity. The marketing communication is realised between the organisation and the targeted customers. McDonald's puts great efforts in promoting the brand: advertising, through sales promotion, public relations and direct marketing. Advertising for McDonalds involves great resources as it uses many channels of communication: tv, radio, magazines, social media, online media. McDonald's uses sales promotion to attract more customers and gives discount coupons, freebies. The public relations in McDonalds strengthen the brand name as it gets involved in many charity programs and other programs that help community. McDonalds also uses direct marketing for various events.

Price

The price strategy is used to maximise profit and to increase the sales volume. In McDonald's the price is the main weapon to attract customers and to fight competition. The pricing strategies used by the organisation are bundle pricing and psychological pricing. McDonalds offer bundle of products at discounted prices instead of a single product. The psychological pricing refers to the prices that seem less by small units instead of rounding to the nearest pound.

Conclusion and recommendations

This report has evaluated the process of marketing by looking at concepts such a macro-environment, micro-environment, tools of analysis, segmentation, targeting, positioning, marketing mix. Each concept has been defined and explained by looking at a successful organisation from the fast food industry.

The analysis realised for McDonalds had included PESTLE and SWOT analysis for micro and macro environment and it had been evaluated the marketing mix used by the organisation.

Following the analysis it is recommended that McDonalds would take advantage of the opportunities identified in the SWOT analysis because it has the required resources.

Regarding the pandemic impact McDonald's should ensure its preparedness to operate online and should look at increasing its e-commerce. The data on pandemic is still in continuous change as the world is still facing and dealing with the covid-19 virus and there is still high levels of uncertainty. That is why McDonalds should put in place strategies that would help them have continuity. McDonalds should consider to develop its own system of home delivery instead of collaborating and outsourcing this services.

In conclusion the industry had impacted the industry in a very major way because restaurants were closed, but it had pushed business to adapt their activity, to digitalised their operations and to find ways to perform.

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