

Marketing analysis: McDonalds' UK 2020

Marketing Management (LCMB 7001) - Assessment 2

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Abstract: Marketing analysis of companies as McDonalds' UK is to study its internal and external forces that influence in different measures. To understand the current position of the company, we need to analyze the SWOT, PESTLE, Porter's Five Forces, STP, and its marketing mix strategies. These aspects define the company as a snapshot.

Keywords: McDonalds' UK, marketing, SWOT, PESTLE, Porter's Five Forces

1. Introduction:

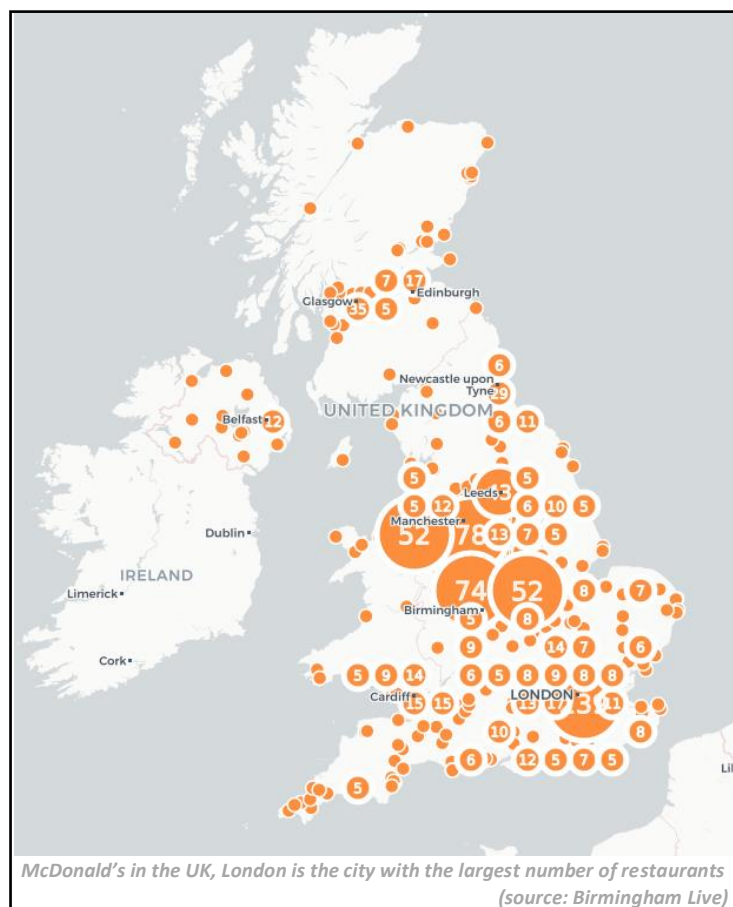
McDonalds' UK is one of the most important fast-food chains in our country and in the world. The company is famous and have the same structure in different countries. Regardless of whether the business is from the same company or is a franchise, all restaurants are the same.

But it was difficult to start in a country where the fast-food culture was not present. In its beginnings, the McDonalds' UK had to close some restaurants because its food was not popular. British people preferred to buy-in other restaurants which was better, well-known and popular.

Consequently, McDonalds' UK had to develop different marketing strategies to have a stronger brand. The success was a combination of good service, quality food, and a good marketing strategy.

The company grew in the UK and nowadays has 1,300 restaurants. But, during 2020, Brexit and Covid-19 were two external forces that changed the strategies of the company. The government rules changed some policies in all the businesses, especially the hospitality industry that received a huge impact.

We are going to analyze how the company adapted its business to the new situation and how the company dealt with the different forces. This paper will study the PESTLE, the Porters 5 Forces, SWOT, STP, and marketing mix strategies of McDonald's in the United Kingdom.



2. The company

McDonald's Corporation is a multinational fast-food company from the US, and it has franchises around the world. The company started in 1940 in Bernardino, California, and currently has around 38,000 restaurants in over 100 countries. Its products are hamburgers, fries, chicken nuggets, chicken sandwiches, wraps, salads, hot and drinks, and desserts. McDonald's has around 1.7 million employees in the world.

The menu is standard around the world, but the company adds some different ingredients in some countries. In this sense, Stonehouse (2004) remarks that the company adapts its products in some parts of the world, for example, in some countries McDonald's sells beers, in Greece sells the Greek Mac, and in China sells chickens on the bone.

Despite being a multinational company, McDonald's has as strategy adapts some products to different cultures, but this is not in all the countries, in the mostly cases the company look for sell a global product because that reduce costs (Yip, 1992).

The model of the franchise has been used by McDonald's around the world. The franchises have to follow all the instructions of the company. Currently, about 70% of the restaurants are franchises, but the company decided to control the operations in each country with national centres (Stonehouse, 2004).

In the UK, the company started in 1974, currently it has 1300 restaurants and employs more than 120,000 people. The company also is the second-largest seller of coffee in the UK, behind Costa. In the last year, the company has a revenue of around £1.5 billion.

3. PESTLE of McDonalds' UK

We are going to see that each organisation live and exist under its Macro Environment or PESTLE. There are different external forces that influence the company in diverse measure. Those forces can build opportunities or threats. The Macro Environment is composed of 6 parts: Political, Economic, Social/Cultural, Technological, Legal and Environmental.

Thus, PESTLE is an acronym used for external forces that affect a company (Anon, 2013). We can see that all these external factors have a link with the organisation, some stronger and some weaker. All the factors can change in time, and its influence can be different. The company has to adapt to each change, that is essential to survive.

Why it is important that the company know the external factors? It is because they can identify on time its PESTLE, the company can design and develop strategies to deal with each issue. Our PESTLE was designed in December 2020.

3.1 Political: This factor is about government rules and activities and how these influences the company. Czinkota (2011) clarifies that Political factor play a critical role, and it has a variety of levels.

- International trade decreases and the company will have fewer supplies from Europe because of Brexit (threat).

3.2 Economic: This factor is about economic conditions not only in the UK but around the world. Venugopal (2010) says that economic factor influences the buying behaviour of customers.

- Drop in the global and local economy because of Covid-19 (threat).
- Currency value in the UK is stable for a long time (opportunity).

3.3 Social: Social and cultural trend change in different countries and in different moments. This factor is about the current behaviour of the people in the UK.

- McDonald's is a well-known restaurant where the family with children eat together, overall, on weekends, but due to Covid-19 it is not possible to eat inside (threat).
- The consumption of coffee has grown in the UK, and the company has grown in its sales through McCafe which is currently the second most important coffee seller in the UK, after Costa (opportunity).
- Most people prefer to buy online which reduces the cost for the company (opportunity).

3.4 Technology: This factor is about the technology impact on the company. Lancaster & Reynolds (2005) advise that technology changes quickly, and companies have to play a part in the technological process of developing new applications.

- Use of technology increased this year because of Covid-19. The company encourages its customers to buy through the online method or kiosks (opportunity).
- Innovation: There is a spurt in sales through electronic devices (opportunity).
- Feedback: company can receive a feedback on time about its service and product (opportunity).

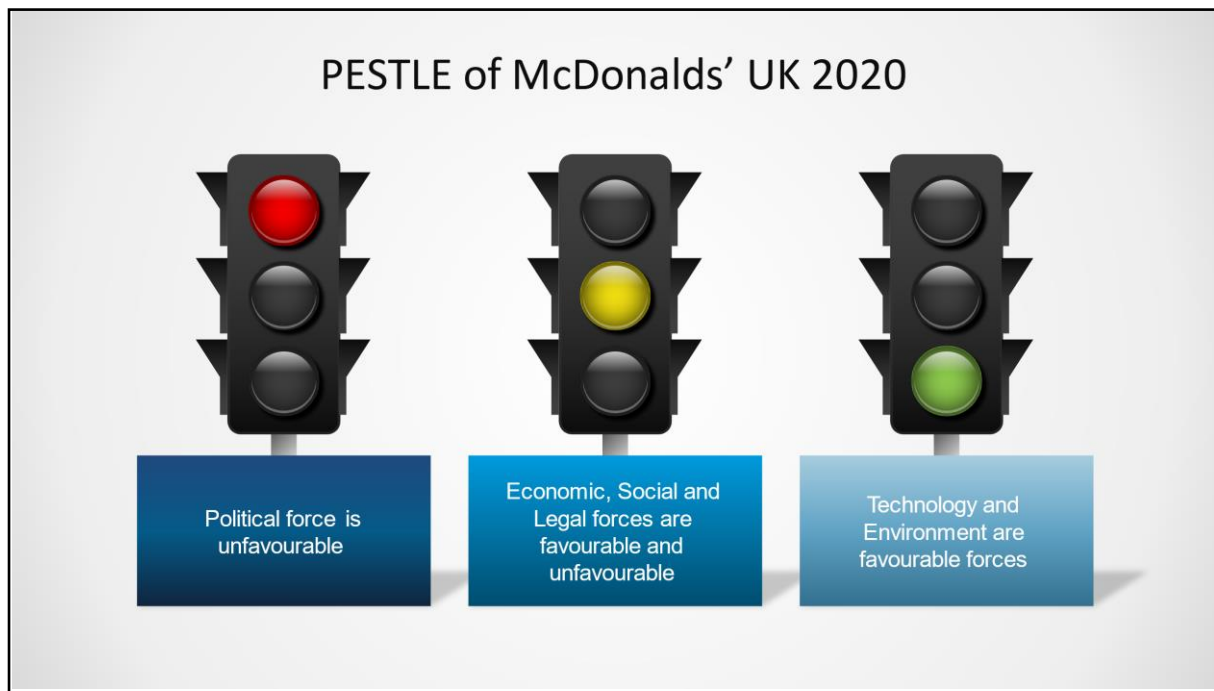
3.5 Legal: The new government rules are compulsory; the company must comply with it.

- Due to Covid-19, government rules increased about safety and health regulations (threat).
- As government allows contract of zero hour, the company has flexible working force (opportunity).
- In 2018, McDonalds' UK had to pay a fine of £200,000 for health and safety breaches (threat).

3.6 Environment: This factor is about how the company is linked with the natural environment.

- The company has programs on caring for the environment: several restaurants have only LED lighting; more than 1000 restaurants recycle plastic and paper (opportunity).

We can conclude that for the purposes of our paper, Political force is unfavourable to McDonalds' UK, while Technology and Environment are favourable forces. However, Economic, Social and Legal force have favourable and unfavourable aspects with regards to the company.



4. The Porter's 5 Forces Model to the company

- Competitive rivalry or competition – high
- Bargaining power of buyers or customers – high
- Bargaining power of suppliers – low
- Threat of substitutes or substitution – high
- Threat of new entrants or new entry – medium

4.1 Competitive rivalry or competition: McDonald's has a high level of rivalry where a lot of businesses in the UK sell hamburgers, chicken and fries. The main competitor of the company is not the big chains as the US (Burger King or Five Guys), in the UK there are a lot of small businesses (local mom-and-pop fast food restaurants) that sell a product similar to McDonald's.

4.2 Bargaining power of customers: The force is high because customers can switch between competitors easily since there are a lot of competitors and substitutes in the UK market.

4.3 Bargaining power of suppliers: The company does not have its own factories and McDonald's has suppliers in the UK. These farms supply the main products the company sells. McDonalds' UK has 23,000 British and Irish farmers. Beef, eggs, pork, and milk all come from UK farms.

But not all the suppliers are British, some vegetables come from suppliers from Spain, Holland, and France, tomatoes come from Morocco, cheese come from Northern Ireland, onion comes from the US, tortillas come from Poland and pickles come from suppliers of Turkey.

Thus, Huhtamaki Foodservice UK is one of the most important suppliers in Northern Ireland. The Lakes Free Range Eggs Company (eggs), McKey Food Service (hamburger), Golden West Foods (buns), McCain (potatoes), Coca-Cola (soft Drinks), The Irish Farmers' Association (eggs and beefs) and Sun Valley and Moy Park (chicken) are other suppliers.



4.4 Threat of substitutes: There are a lot of substitutes in the UK as Subway, KFC, Greggs, Pret a Manger, Leon, Yo! Sushi and Nando's.

4.5 Threat of new entry: There is not a commercial barrier to entry in the UK market, but it is necessary to have a certain amount of money to start. In this sense, Venugopal (2010) says that barriers to entry produce a market less contestable. Also, it is very difficult for companies to compete with important restaurant chains because McDonalds' UK has an economy of scale, experience, and good reputation.

Buttle (2008) indicates that the Porters 5 forces are divided into horizontal conditions (competitive rivalry, the threat of substitutes, and the threat of new entry) and vertical conditions (bargaining power of customers and bargaining power of suppliers), these sources will measure the profitability of an industry.

5. SWOT analysis to the company

Sheehan (2011) declares that SWOT analysis is an instrument that shows us what the current situation of the company is. This tool is important to design a marketing strategy.

5.1 Strengths: Kotler, Armstrong & Opresnik (2018) conclude that strengths are the sources and positive factors that help the business to achieve its goals.

- McDonald's is a famous brand in the UK, the company has a strong brand name, and this helps to sell its product because there is a relationship between the brand and its products.
- McDonalds' UK has 1300 restaurants, it is a large chain, the company is always visible at every important points of the country.
- The company changes continuously its products, renews the interest of the clients to know it, the menu is not same all the year.
- The menu is cheap which enables more people with low and middle income buy from the restaurant.
- The restaurants are comfortable with free Wi-Fi, a lot of young people come to McDonalds' UK for the free connectivity.
- The service is fast, and all the spaces are clean. A fast service attracts a lot of customers that have a little time to eat.
- The company has good food hygiene practice. In the Food Hygiene Rating Scheme (FHRS) the company has 5 stars (the highest level), and the restaurant shows its stickers 5 stars in the main entrance of the local restaurant for people who know about these ranges.

5.2 Weaknesses: Kotler, Armstrong & Opresnik (2018) emphasize that weaknesses are internal limitations and situations are not favourable that interfere with the performance of the company.

- Not all the franchisees participate in the promotions of the company which produces confusion in many customers who think that the entire chain is the same.
- The company cannot control the food quality in all the franchises, managers are accountable to franchisees owners.
- The company pays the minimum wage of £8.72 an hour. This results in several strikes of its employees.
- A lot of franchisees have less employees that are necessary to operate which in turn creates long queues.
- Some franchisees do not comply with the safety rules. In 2018, McDonald's was fined £200,000 for not complying with the health and safety rules in West Thurrock. These cases affect the image of the brand.

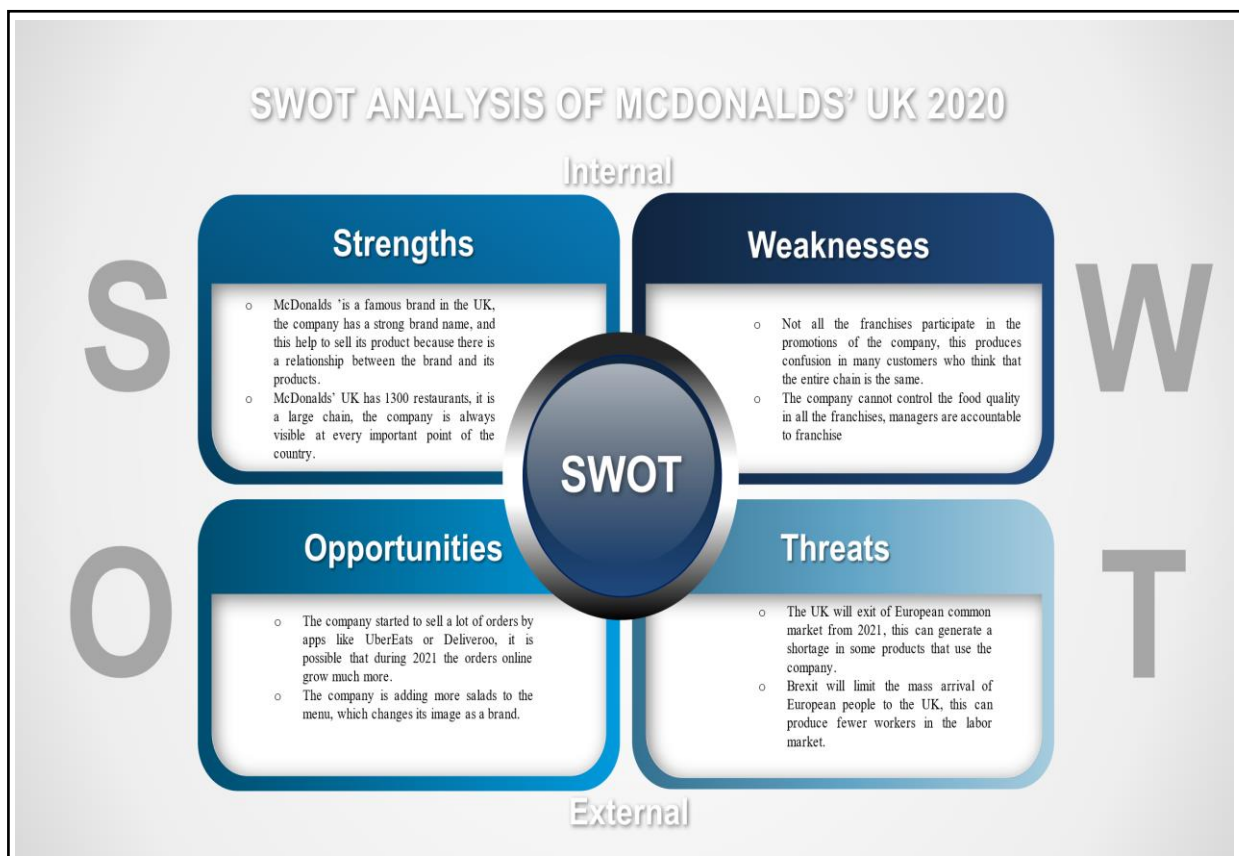
5.3 Opportunity:

- The company started to sell a lot of orders by apps like UberEats or Deliveroo. Hence, it is possible that during 2021 the online orders grow much more.

- The company is adding more salads to the menu, which changes its image as a brand.
- The successful model of franchisees drives more opening requests (McDonald's thought to open 160 new branches in 2020, but Covid-19 stopped this plan).
- In the UK, the company is the second most important brand in coffee sales (after Costa). 2021 it is a great opportunity to get first place with more variety of coffee and more advertising.

5.4 Threats:

- The UK will exit from European Common Market from 2021 which can generate a shortage in some products that use the company.
- Brexit will limit the mass arrival of European people to the UK, this can produce fewer workers in the labor market.
- Competitors as Pret a Manger are growing because they sell healthier food.



6. STP to the company

To analyse Segmentation, Targeting and Positioning (STP) are fundamentals to design a marketing plan. We are going to show a scheme of McDonald's for the United Kingdom:

Type of segmentation	Criteria	Target
Geographic	Country	United Kingdom
	Density	Urban and rural
	Region	Domestic
	Cultural	Britain ingredients
Demographic	Age	8-45
	Gender	Males and females
	Life-cycle stage	Children, young, single people, married people, and families
	Income	Low and middle
	Occupation	Students, employees, and professionals
Behavioural	Degrees of loyalty	Loyals and not loyals
	Benefits sought	Cost benefits, time efficiency
	Personality	Easy-going and careless
	User status	Potential and regular fast-food eaters
Psychographic	Social class	Lower, working, and middle classes

6.1 Position strategy: To show the brand as one, there are not differences between franchisees. The company wants to show that its products are the same quality. All McDonald's products are uniform and homogeneous throughout the UK, there are no difference between cities. But McDonald's uses demographic segmentation as strategy, in all the countries not all its menu is the same.

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Students are an important target for McDonalds' UK

7. The marketing mix strategies

Hooley et al. (2020) explain that the design of the marketing organization is vital to achieving the success of the strategy, in this context the implementation is the responsibility of marketing mix strategies.

7.1 Product: The company in the UK has a standard menu with hamburgers, fries, and drink, even though McDonalds' UK change part of its menu constantly. The restaurant sells chicken, sandwich vegans, desserts, and breakfasts. The restaurant introduced new healthy elements on its menu as lettuce and cucumbers.

The company uses its brand to sell other products like coffee and salads. In this last sense, McDonalds' UK keep selling its hamburgers, but the menu expands its options with more products like vegan sandwiches.

In this sense, the company achieved good results with its different hot drinks. Thus, McDonalds' UK is the second most important seller of coffee in the UK. The idea of the company is also to sell another kind of products under its brand and end up with more customers.

7.2 Place: The restaurants of McDonalds' UK have decoration, good illumination, free Wi-fi. The atmosphere is warm, with music and employees smiling. In some restaurants there are areas for children. Also, the company has agreements with home delivery applications, as UberEat or Deliveroo. In this sense, the company have a direct channel of distribution and adopt franchising.

7.3 Price: McDonalds' UK is famous because its prices are low. There are a lot of offers for student customers, discount coupons, free coffee, etc.

7.4 Promotions: During December, all the promotions go around Christmas. This year the protagonist was Tom who is a child whose story focuses on Christmas promotions 2020. The mass media used is TV, radio, internet, coupons, and newspapers.



The story of Tom (McDonald's UK 2020)

7.5 People: McDonald's UK marketing strategy shows that employees and customers are very important. Employees wear a standard uniform and employees in the kitchen must

wear aprons. Today, due to Covid-19, all employees must wear the face mask, managers supervise its proper use. All employees receive online training and then in the restaurant as well on each role in the company. The training focuses on good customer service.

7.6 Process: The part where employees prepare the food is known as 'the line', which is visible to customers. All the areas get clean permanently. The customer can see its order from beginning till the end.

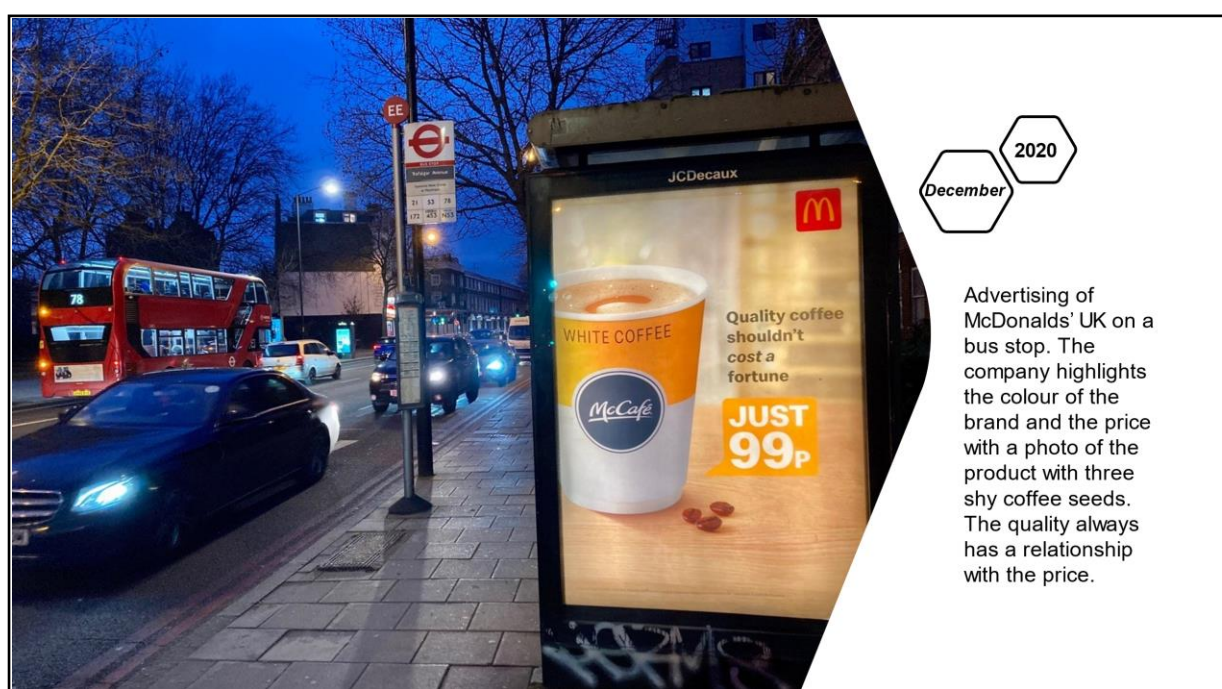
7.7 Physical evidence: The restaurant is clean and looks hygienic. The company shows in its doors that has 5 stars received by the Food Hygiene Rating Scheme. Every employee wears a uniform, name, and the customer can identify easily what is their position in the company.

Finally, Hooley et al. (2020) conclude that each component of the marketing mix should be aligned to deliver the objective required by the strategy.

8. Conclusion:

We could see that McDonalds' UK develops its marketing strategies on different sides and that the company expands its business with other products as coffee, which is currently the second most important seller in the UK.

The company has created a strong relationship between its brand and the product that sells. In this sense, we see that McDonalds' UK highlights the price as the most important. It would be a great idea to add the attributes of the product in the advertisement as the main characteristics. Also, it would be a great idea to sell different kind of coffee.



On the other hand, McDonalds' UK is well-known to be a space where families can eat while enjoying a comfortable environment. However, a lot of restaurants do not have security personnel, and some beggars ask for money from the customers creating a dangerous environment. Customer who lives that experience will think the next time before deciding to go to McDonald's.

The company offers free connectivity for its customer, but sometimes the internet is too slow. If McDonalds 'UK wants to attract young people must improve its Wi-fi in all the areas of the restaurant, not only in the lobby because a lot of times the connection is only on the main floor and not on the other floors.

Finally, we think that to keep a positive outcome and sharing it with a supplier is a strong aspect in any company. This is a win-win situation and a good image for the company would be to show who are the suppliers through the menu.

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