

Chapter 01

1. Introduction

McDonald's is one of the best-known brands worldwide. This case study shows how McDonald's continually aims to build its brand by listening to its customers. It also identifies the various stages in the marketing process. Branding develops a personality for an organization, product or service. The brand image represents how consumers view the organization.

Branding only works when an organization behaves and presents itself in a consistent way. Marketing communication methods, such as advertising and promotion, are used to create the colors, designs and images, which give the brand its recognizable face. At McDonald's this is represented by its familiar logo - the Golden Arches.

Marketing involves identifying customer needs and requirements, and meeting these needs in a better way than competitors. In this way a company creates loyal customers. The starting point is to find out who potential customers are - not everyone will want what McDonald's has to offer. The people McDonald's identifies as likely customers are known as key audiences. McDonald's has come up with advertising campaigns to help combat the dropping sales such as its New Taste Menu, and this was geared toward the healthier consumer. The message was that the company was tasty and nutritious, friendly folks and fun could be found at McDonald's.

1.1 Problem Statement

McDonald's has been forced to contend with a number of potential obstacles to growth in recent years, most notably stark criticism and a less-than-favorable global economic climate that has seen consumers reduce their discretionary spending. McDonald's has, however, employed strategies to counter these problems, and the decisions the company has taken have allowed it to maintain a strong level of growth. The move towards a healthier menu, achieved by making changes to existing items and introducing new offerings, has helped satisfy some of its critics and attract those who are perhaps more health-conscious than the 'traditional' McDonald's customer, while new items such as the McCafe range are helping the company attract new customers. The message has been reinforced by a relentless and innovative marketing campaign, which has helped make the McDonald's brand one of the most recognized and valuable in the world.

According to the case, below stated problems aroused:

- What are the McDonald's core brand values? Have these changed over the year?
- McDonald's did very well during the recession in the late 2000s. With the economy turning around for the better, should McDonald's change its strategy? Why or why not?
- What risks do you feel McDonald's will face going forward?

1.2 Overview of the Company

McDonald's Corporation is an American fast food company, founded in 1940 as a restaurant operated by Richard and Maurice McDonald, in San Bernardino, California, United States. They rechristened their business as a hamburger stand, and later turned the company into a franchise, with the Golden Arches logo being introduced in 1953 at a location in Phoenix, Arizona. In 1955, Ray Kroc, a businessman, joined the company as a franchise agent and proceeded to purchase the chain from the McDonald brothers. McDonald's had its original headquarters in Oak Brook, Illinois, but moved its global headquarters to Chicago in early 2018.

McDonald's is the world's largest restaurant chain by revenue, serving over 69 million customers daily in over 100 countries across 37,855 outlets as of 2018. Although McDonald's is best known for its hamburgers, cheeseburgers and french fries, they also feature chicken products, breakfast items, soft drinks, milkshakes, wraps, and desserts. In response to changing consumer tastes and a negative backlash because of the unhealthiness of their food, the company has added to its menu salads, fish, smoothies, and fruit. The McDonald's Corporation revenues come from the rent, royalties, and fees paid by the franchisees, as well as sales in company-operated restaurants. According to two reports published in 2018, McDonald's is the world's second-largest private employer with 1.7 million employees.

McDonald's has become emblematic of globalization, sometimes referred to as the "McDonaldization" of society. The Economist newspaper uses the "Big Mac Index": the comparison of a Big Mac's cost in various world currencies can be used to informally judge these currencies' purchasing power parity. Switzerland has the most expensive Big Mac in the world as of July 2015, while the country with the least expensive Big Mac is India. McDonald land was a fantasy world used in the marketing for McDonald's restaurants during the 1970s through the 1990s. McDonald land was inhabited by Ronald McDonald and other characters. In addition to being used in advertising, the characters were used as the basis for equipment in the "Play Places" attached to some McDonald's. The McDonald land commercials alongside the characters were dropped from McDonald's advertising in 2003, but Ronald McDonald is still seen in commercials and in Happy Meal toys.

1.3 McDonald's Corporate Mission Statement

McDonald's corporate mission is "to be our customers' favorite place and way to eat and drink." This mission statement highlights the significance of customers as the business focus, while maintaining the company as a major influence on their food and beverage purchase decisions. McDonald's corporate mission statement has the following main components:

1. Customers' favorite place to eat and drink
2. Customers' favorite way to eat and drink

In its mission statement, McDonald's Corporation emphasizes becoming the favorite of target customers. Based on this aspect, the company considers customers' preferences as a major determinant of its business. For example, to become such a favorite place, McDonald's develops its menu and recipes to satisfy consumers' preferences with regard to fast food products like burgers and fries. The components of the corporate mission statement focus on two points: becoming the favorite place and becoming the favorite way. As a fast food service business, the company develops restaurant designs and layouts to optimize productivity and customer experience. This factor, along with menu development, helps make the company's restaurants and franchised locations the favorite place to eat and drink. The "favorite way" component of the corporate mission statement shows that the company aims to influence how people eat and drink. This point presents challenges to the business in terms of effectively influencing people's behavior. McDonald's marketing mix or 4P helps in reaching this corporate mission, especially by promoting the company, its brand, and its products, to influence consumers.

McDonald's Corporate Vision Statement

McDonald's corporate vision is "to move with velocity to drive profitable growth and become an even better McDonald's serving more customers delicious food each day around the world." This statement is included in the growth plan that the company introduced in 2017. The company's previous vision statement was "Our overall vision is for McDonald's to become a modern, progressive burger company delivering a contemporary customer experience." The following are the main components of the company's new corporate vision statement:

1. Move with velocity to drive profitable growth
2. Become an even better McDonald's
3. Serve more customers delicious food each day around the world

The first and third components of McDonald's vision statement show that the business aims to grow and expand its operations. This aim entails opening more locations and improving operational efficiency to improve profit margins. McDonald's generic competitive strategy and intensive growth strategies support the growth and expansion objective embodied in this corporate vision statement. The second component focuses on improving the business. The company does not specify the type of improvement stated in the corporate vision. However, it is realistic that McDonald's aims to implement comprehensive improvements of its business to include various aspects, such as product development, marketing, franchising, and human resource development. In following this corporate vision statement, the company expects growth and an overall enhancement of the various areas of the fast food restaurant chain business.

1.4 Products

McDonald's predominantly sells hamburgers, various types of chicken, chicken sandwiches, French fries, soft drinks, breakfast items, and desserts. In most markets, McDonald's offers salads and vegetarian items, wraps and other localized fare. On a seasonal basis, McDonald's offers the McRib sandwich. Some speculate the seasonality of the McRib adds to its appeal.

Products are offered as either "dine-in" (where the customer opts to eat in the restaurant) or "take-out" (where the customer opts to take the food off the premises). "Dine-in" meals are provided on a plastic tray with a paper insert on the floor of the tray. "Take-out" meals are usually delivered with the contents enclosed in a distinctive McDonald's-branded brown paper bag. In both cases, the individual items are wrapped or boxed as appropriate.

Since Steve Easterbrook became CEO of the company, McDonald's has streamlined the menu which in the United States contained nearly 200 items. The company has also looked to introduce healthier options, and removed high-fructose corn syrup from hamburger buns. The company has also removed artificial preservatives from Chicken McNuggets, replacing chicken skin, safflower oil and citric acid found in Chicken McNuggets with pea starch, rice starch and powdered lemon juice.

In September 2018, McDonald's USA announced that they no longer use artificial preservatives, flavors and colors entirely from seven classic burgers sold in the U.S., including the hamburger, cheeseburger, double cheeseburger, McDouble, Quarter Pounder with Cheese, double Quarter Pounder with Cheese and the Big Mac. Nevertheless, the pickles will still be made with an artificial preservative, although customers can choose to opt out of getting pickles with their burgers. Restaurants in several countries, particularly in Asia, serve soup. This local deviation from the standard menu is a characteristic for which the chain is particularly known, and one which is employed either to abide by regional food taboos (such as the religious prohibition of beef consumption in India) or to make available foods with which the regional market is more familiar (such as the sale of McRice in Indonesia, or Ebi (prawn) Burger in Singapore and Japan). In Germany and some other Western European countries, McDonald's sells beer. In New Zealand, McDonald's sells meat pies, after the local affiliate partially relaunched the Georgie Pie fast food chain it bought out in 1996.

Chapter 02

1. What are McDonald's core brand values? Have these changed over the years?

McDonald's is a highly popular brand in the world. This brand has unique selling proposition. McDonald's core brand values are:

- Mc Donald's core brand value is "hot high-quality food at a great value at the speed and convenience of McDonald's."
- It delivers same quality products and services around the world.
- The core values of the brand have included quality, cleanliness, service and high standard value.
- Their core values are reflected in their outlets, the pricing of their products and their employees.
- Gaining high importance among masses via its 5 Ps implementation.

Although the company lost focus during expansion in the 80s, the company has learnt from its mistakes. McDonald's core values haven't changed over years and it is still making effort to improve it such as introduced a new McCafe coffee line, launched a worldwide repackaging effort, improved the drive-thru service, and responded the health trend. McDonald has reached this position because of the values the company thrives upon. The consistent efforts and dedication when it comes to providing quality food that too speedily to the customers, these all values have remain same since ages and these are the ultimate success recipe for McDonald's success.

2. McDonald's did very well during the recession in the late 2000s. With the economy turning around for the better, should McDonald's change its strategy? Why or why not?

McDonald's is one of the most successful companies in the world during this recession. A few reasons about why the company did very well during the recession in the late 2000s are listed below.

- The company created a more affordable menu for people who were affected by economic downturn,
- The products of the company are preferable than the other options when people have a thin time of it
- The company should definitely stick with their strategy even now because if it has done well in financially trying times, it is favored to do well when the situation eases.
- The products can be priced cheaper than most of the other restaurants would.
- Certain changes can be made to the existing strategy after in-depth study of the current.

During 2000s McDonald's did very well in the recession period but failed to acquire profit so later o it applied the "Plan to win" strategy and again McDonald's was on track .McDonald's changed its menu and strategy plans after a documentary "SuperSize Me" targeted McDonald's for its unhealthy obese foods. It also put effort in new packaging which included bold text and full color photographs of real ingredients.

The company created a consciousness about its strategy focused on being cheap and healthy. So, it should not change its strategies about price. If the company changes its focus and increases the price, it can lose the loyalty of the customers. But the company can enhance its strategies and increase the quality of services and products. After the financial downturn, the customers could stick to the company, because of the strategy of the company focused on being cheap and quality. It can be changed at a certain point. Changes can be made to leverage on improved economic conditions of the global market to maintain their edge among their competitors.

3. What risks do you feel McDonald's will face going forward?

- Health conscious consumers might move to brands offering healthier options.
- McDonald's should offer more premium options and establish itself as a provider of normal goods while maintaining the value that its customers expect.
- Changing tastes and lifestyles pose a big threat. The company will need to adapt to changes to be able to tackle such problems effectively
- Competition from local fast food chains as they have to focus only on a small area.
- Training employees rapidly and effectively during expansion drives.
- Rivals of McDonald's like Subway, Burger King are offering more customized offerings which could bring problems to the brand.
- Rising competitors in the market.
- The rate of its expansion is very fast which might lead to dip in its quality.
- Company should also take care of the cases where people use the company's brand symbol as it may diminish the brand value and hinder their upgoing trend.

Chapter 03

3.1 Explaining why this Solution was Chosen

The solution for question 1 of the case study was chosen based on the segmentation, positioning, targeting followed by McDonald's as they showed how the company creates and adds value for the customers. For the solution 2, we have chosen the 5P's of marketing and Ansoff's as it they showed the categorized products and their extension in the product and market while going global. Finally for the last solution, we have chosen the Porter's five forces as it focuses on existing threats as well as the threats that can appear and shows how to tackle them.

3.2 Supporting the Solution with Solid Evidence

3.2.1 Segmentation, Targeting and Positioning

Customer perception is a key factor for affecting a product's success. Many potential Market segmentation is the process of dividing up mass markets into different groups of similar needs and wants. The motive behind segmentation is to know the customer in a much more detailed manner, gaining a competitive advantage and be able to serve the customer's needs and wants in a better way.

3.2.1.1 Segmentation

McDonald's uses different types of segmentation to break a bigger market into small customer groups. They are given below:

1. **Geographic Segmentation:** Geographic segmentation divides markets according to geographic criteria. McDonald's breaks its business into different geographical segments like
 - America
 - Europe
 - Asia/Pacific, Middle East, and Africa
 - Other Countries (like Canada, Latin America)

Based on their geographic segmentation, McDonald's optimizes its Menu and food offerings to suit the regional tastes and needs. For example: McAloo Tikki and McVeggie are available in India, Bacon Smokehouse Burger and Quarter pounder (beef) burger are available in the USA and McArabia Chicken and Beef Burger are available in Arabian countries.

Restaurants in several countries, particularly in Asia, serve soup. This local deviation from the standard menu is a characteristic for which the chain is particularly known, and one which is employed either to abide by regional food taboos (such as the religious prohibition of beef consumption in India) or to make available foods with which the regional market is more familiar (such as the sale of McRice in Indonesia, or Ebi (prawn) Burger in Singapore and Japan).

In Germany and some other Western European countries, McDonald's sells beer. In New Zealand, McDonald's sells meat pies, after the local affiliate partially relaunched the Georgie Pie fast food chain it bought out in 1996.

In the United States and Canada, after limited trials on a regional basis, McDonald's began offering in 2015 and 2017, respectively, a partial breakfast menu during all hours its restaurants are open.

2. **Demographic Segmentation:** Segmentation according to demography is based on consumer- demographic variables such as age, income, family size, socio-economic status, etc. McDonald's mainly segments the market in below demographics:

Age: 8-45

Life cycle stage: Newly married couples, youngest child six or over

Bachelor Stage: Young, single people not living at home

Students: Students, employees, professionals

3. **Behavioral Segmentation:**

Degree of loyalty: Hard core loyals and switchers

Benefits sought: Cost benefits, time efficiency

Personality: Easy going and careless

User Status: Potential and regular fast food eaters

4. **Psychographic Segmentation:** Convenience and lifestyle

McDonalds has adopted itself according to the convenience and lifestyle of the consumers, as India has a huge vegetarian population so McDonalds came up with a different and new product line which includes items like Mc Veggie burger and Mc Aloo Tikki Burger. They also made McDonalds as a place to relax and even for entertainment.

3.2.1.2 Targeting

After segmentation, the company needs to decide on the Targeting strategy. Companies need to select the market segments that they want to focus on and put in their future business strategy. The marketer faces a number of important decisions:

- What criteria should be used to evaluate markets?
- How many markets to enter (one, two or more)?
- Which market segments are the most valuable?

Below are three factors that are essential for evaluating a potential market segment.

- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources.

McDonald's target customers are:

- **Children:** McDonald's offer a lot of goodies, toys, happy meals etc. to attract this younger segment audience. The happy meal is ubiquitously known among kids around the world. In an effort to appease health conscious parents, fruits such as apples and orange slices are offered as substitutes for French fries. Yogurt is a replacement for the cookies that were classically included in the boxed meal, and fruit juices and milk as alternatives for soft drinks. As young children are very active with high energy levels, play grounds that allow climbing , crawling and other moderately strenuous activities are typically included restaurant locations
- **Young Adults (Age group between 18-29):** Without much thinking, this segment is the main source of income for any business, let alone McDonald's. This market segment may be having a disposable income which is lower than the average, their consumption patterns are far much more than old the other market segments. Advertising which includes trendy music and images of youths enjoying McDonald's food while engaging in vigorous and energetic activities is the predominant integrated communications for the young adults.
- **Adults:** The third segment is the adults' segment, in order to target this segment, McDonald's tweaked its menu and made its offering less in calories and healthy.
- **Business Customers:** In an effort to attract and retain these customers, lighter and healthier food offerings are replacing traditional fat-laden foods at McDonald's. The franchise firm is attempting to lure business customers with foods that are fresh, organic and sustainable. Advertising is geared toward information which provide U.S Department of Agriculture guidelines for dietary recommendations, and include sample menu suggestions which are based on gender, age, weight and daily physical activity levels. Breakfast and lunch meals are most often consumed by business customers.

3.2.1.3 Positioning

Positioning refers to decisions about how to present the offer in a way that resonates with the target market. In order to position the products correctly in the target markets, McDonald's uses segment insights or information about the consumer behavior that are developed through market research. The insights focus on the values, needs and lifestyle of each segment.

Using these insights, McDonald's create a positioning profile for every product and then the creative team uses these profiles to create ads targeted to relevant segments as well as to the general population. This concludes the positioning of McDonald's. The following is a direct quote from McDonald's franchise strategy document:

“McDonald's has made itself to be the family friendly low cost restaurant in the fast food business. We have a narrow scope for a customer base and a low cost strategy” (McDonalds 2016).

3.2.2 Marketing Strategy: 5P'S

After analyzing the market condition, finding the main factor, target segment as well as understanding the demand of the market, every company requires coming up with an offer or such kind of plan which speed up the development of the business. For that, McDonalds 5P's marketing strategy that follows product, place, price, promotion and lastly people which are described below:

1. Product: Product consists of how the company must design, manufactures the products which improve the experience of every customer. Product refers to physical product and services provided by the business to its patron. McDonalds includes specific aspects of its service and products like packaging, looks and desirability. This includes non-tangible and tangible features of the services and product. McDonalds has intentionally kept its product depth and width limited. McDonalds had studied the manners of the Indian clients and totally provided various menus as compare to its menu presented in world market. The company eliminates beef, mutton and pork burger from their menu. India is just country wherein McDonalds offer vegetarian menu. As well as the cheese and sauce use are pure vegetarian. The company constantly improves its product and service in accordance to the fast changing desires and tastes of its consumers. One of the good examples is the launching of Chicken Maharaja Mac and the Chicken McNuggets.

As a food service business, McDonald's has a product mix composed mainly of food and beverage products. This element of the marketing mix covers the various organizational outputs (goods and services) that the company provides to its target markets. McDonald's product mix has the following main product lines:

- i. Hamburgers and sandwiches
- ii. Chicken and fish
- iii. Salads
- iv. Snacks and sides
- v. Beverages
- vi. Desserts and shakes
- vii. Breakfast/All-day breakfast
- viii. McCafé

Among the 5Ps, products are a fundamental determinant of McDonald's brand and corporate image. The company is primarily known for its burgers. However, the business gradually expands its product mix. At present, customers can purchase other products like chicken and fish, desserts, and breakfast meals. McDonald's generic strategy and intensive growth strategies influence the product lines included in this element of the marketing mix. In diversifying its product lines, the company satisfies market demand, improves its revenues, and spreads risk in its business. In terms

of risk, a more diverse product mix reduces the company's dependence on just one or a few market segments. This element of McDonald's marketing mix indicates that the firm innovates new products to attract more customers and improve its business stability.

2. Place: The place for the most part includes distribution outlet and channel of the business. It is very essential because the service or the product should be accessible to the consumers at the right time, right place and right quantity. In United States almost 50% of McDonald's outlets are located three minutes away from each other. There are specific level of happiness and fun which McDonalds offers to its consumers. It offers value position that based on the requirement of the consumer. This element of the marketing mix enumerates the venues or locations where products are offered and where customers can access them. Restaurants are the most prominent places where the company's products are distributed. However, the business utilizes various places as part of this 5P variable. The main places through which McDonald's distributes its products are as follows:

- i. Restaurants
- ii. Kiosks
- iii. McDonald's mobile apps
- iv. Website and app, and others

McDonald's restaurants are where the company generates most of its sales revenues. Some of these restaurants also manage kiosks to sell a limited selection of products, such as sundae and other desserts. Some kiosks are temporary, as in the cases of kiosks used in professional sports competitions and other seasonal events. This element of McDonald's marketing mix also involves the company's mobile apps. These virtual places are where customers can access information about the company's products and buy these products. For example, the company's mobile apps for iOS and Android let customers claim special deals, find restaurant locations, place orders, and pay for such orders involving participating McDonald's restaurants. Furthermore, customers can place their orders through the website and mobile app. This element of the marketing mix supports McDonald's corporate vision and mission statements, especially in serving more customers around the world.

3. Price: Pricing strategy is one of the most significant aspects when it comes to marketing. This includes price breakdown, when any discount service or payment available. Business should also consider the possible reactions from its rivalry when it comes to pricing. Pricing strategy was developed in order to attract middle and lower class individual and the result can clearly be seen the customer base which McDonalds has at present. McDonald's restaurant has specific value pricing as well as bundling strategy like combo meal, happy meal, family meal and happy price menu in order to improve total sales of the service and product.

This element of the marketing mix specifies the price points and price ranges of the company's food and beverage products. The aim is to use prices to maximize profit margins and sales volume. McDonald's uses a combination of the following pricing strategies:

- i. Bundle pricing strategy
- ii. Psychological pricing strategy

In the bundle pricing strategy, McDonald's offers meals and other product bundles for prices that are discounted, compared to purchasing each item separately. For example, customers can purchase a Happy Meal or an Extra Value Meal to optimize cost and product value. On the other hand, in psychological pricing, the company uses prices that appear significantly more affordable, such as \$__.99 instead of rounding it off to the nearest dollar. This pricing strategy helps encourage consumers to purchase the company's products based on perceived affordability. Thus, this element of McDonald's marketing mix highlights the importance of bundle pricing and psychological pricing to encourage customers to buy more products improve total sales of the service and product.

4. Promotion: Advertising through television, radio, and billboards are great ways that McDonald's promotes their products and service. Over the years McDonald's has used several slogans to leave an impression in people's heads. Some of these include "It's a good time for the Great Taste of McDonald's," "Food, Folks, and Fun," "We love to see you smile," and the most recent slogan, "I'm Lovin' it." All of these slogans have been used over the years to promote McDonald's and by doing so people remember the name and have become accustomed to visiting nearby locations.

Another strategy that McDonald's used over the years was to promote their figure head, Ronald McDonald. Ronald is the made up character behind McDonald's corporation for the past 50 years. He was originally introduced in 1963 and resembles a clown character that is considered only to Santa Claus for the most recognized name in children's eyes. There has also been a television show called, "The Wacky Adventures of Ronald McDonald," which have variously been released between 1998 and 2003. This show was great promotion for children and McDonald's because it only happened a very limited amount of times so kids were so excited when they actually got to experience it and it allowed for McDonald's to expand revenues.

McDonald's continues to promote by using several athletes and celebrities to endorse their products. During the 2008 Olympics in Beijing, McDonald's featured nine Olympic and Paralympic Athletes on their cups and packages. McDonald's also held a Marketing Campaign in Australia where there people could decide the name of a new burger about to be introduced. By doing such things McDonald's is creating a better brand image and thus making greater profits.

This element of the marketing mix defines the tactics that the business uses to communicate with customers. Among the 5Ps, this variable focuses on marketing communications with target customers. For example, the company provides new information to persuade consumers to purchase new products. McDonald's uses the following tactics in its promotional mix, arranged according to significance in the business:

- i. Advertising (most significant)
- ii. Sales promotions
- iii. Public relations
- iv. Direct marketing

Advertisements are the most notable among McDonald's promotion tactics. The corporation uses TV, radio, print media and online media for its advertisements. On the other hand, sales promotions are used to draw more customers to the company's restaurants. For example, McDonald's offers discount coupons and freebies for certain products and product bundles, as a way of attracting more consumers. In addition, the company's public relations activities help promote the business to the target market through goodwill and brand strengthening. For instance, the Ronald McDonald House Charities and the McDonald's Global Best of Green environmental program support communities while boosting the value of the corporate brand. Occasionally, the company uses direct marketing, such as for corporate clientele, local governments, or community events and parties. In this element of its marketing mix, McDonald's Corporation emphasizes advertising as its main approach to promote its products.

5. People: McDonalds understands the significance of both consumers and employees. It understands the truth that happy workers can serve properly and led in happy customers. McDonald's restaurant constantly does Internal Marketing as this strategy becomes effective it will lead automatically to the success of external marketing.

McDonald's does a lot of internal as well as External Marketing. They have found that it is extremely important to show employees the proper respect and courtesy that they deserve and by allowing for them to give input about things they think should be improved or worked on is a great way of keeping everyone happy. If customers didn't feel a great sense of appreciation when they walk into a location they are much less likely to come back and be repeat customers. By doing research and taking surveys, McDonald's executives are finding out what people want and making sure that customers and employees are completely satisfied. McDonalds has a target group of Families with children because it is considered a treat for the children and easy for the parents. It is considered more of an open, public atmosphere when compared to a fancier sit down restaurant. They offers playgrounds and toys for the children at many locations. McDonald's also targets people without a lot of time who need a quick meal. They offer a drive through for convenience, which brings you delicious food to you fast and at a convenient price.

3.2.3 Ansoff's Matrix in the Marketing strategy of McDonald's

For McDonald's the marketing strategy that the company can apply is the Ansoff's matrix. Based on the application of the Ansoff's matrix, McDonald's can develop strategies for the future growth of the organization (Mcdonalds.com 2019). The reason for the application of this strategy for McDonald's is the fact that the company need to regain its popularity in the international market since in many of the countries particularly in Asia, McDonald's have failed to maintain its dominance and had to forfeit its business (Mcdonalds.com 2019). Thus, product-market strategy can be considered as a joint statement that defines the product line of the company (Mcdonalds.com 2019).

The application of Ansoff's matrix can be done based on four metric points that can help in the growth of an organization. Each of the four-growth matrixes can help in understanding a current scenario at the organizations and thus, based on its understanding of the knowledge products can be offered at the existing market. For McDonald's the growth scenario can be the offering of products and services so that it can gain its reputation back in the market and ensure that proper market development takes place. It can increase its market share and ensure that existing market segments can be identified by the sale of the products and services.

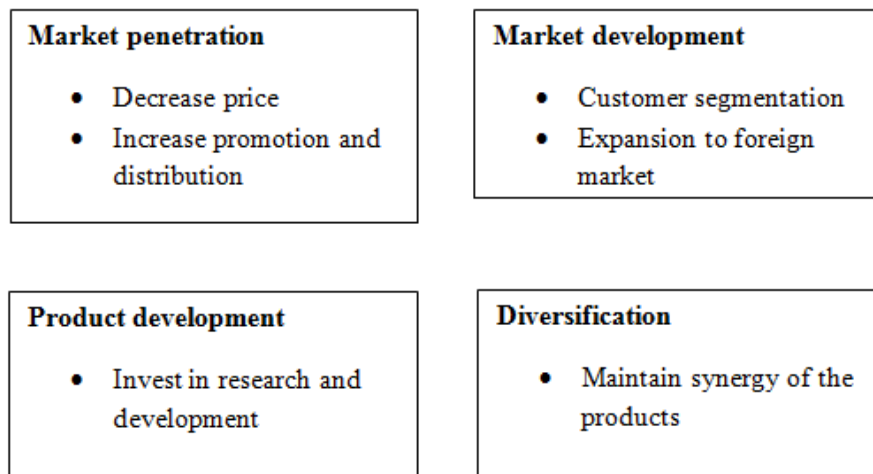


Figure: Ansoff's matrix of McDonald's

From the figure, it can be seen that each of the growth matrix have certain criteria which is needed to be achieved by the organizations. For McDonald's it is necessary that the company apply the reduction of the pricing strategy so that it can ensure market penetration (Mcdonalds.com 2019). At the same time, it can improve the promotion and distribution support by the use of social media. As pointed out by Lovelock and Patterson (2015) these strategies are considered as the least risky growth option that can help in the development of McDonald's in the competitive market.

Apart from this, the market development need to be done based on segmentation of the customers. McDonald's can segment customers based on choice of proteins such as people that consume chicken as opposed to the people that prefer beef or pork (Mcdonalds.com 2019). Hence, development of the market in a foreign place need to be done based on the choice of the proteins of the customers. However, as stated by Kotler *et al.* (2016) the risk in this case can be high since for the fulfilment of the new market research need to be undertaken.

The product development and the diversification can help McDonald's to ensure that investment is made in the research and development of additional products (Mcdonalds.com 2019). For example, if the company is willing to sell desserts, then proper research need to be made for ensuring satisfaction of the customers along with this, diversification in the form of potential synergy of the product need to be maintained (Mcdonalds.com 2019).

3.2.4 McDonald's Corporation Porter's Five Forces Analysis

Porter Five Forces Analysis is a strategic management tool to analyze industry and understand underlying levers of profitability in a given industry. McDonald's Corporation managers can use Porter Five Forces to understand how the five competitive forces influence profitability and develop a strategy for enhancing McDonald's Corporation competitive advantage and long term profitability in Restaurants industry.

Porter Five Forces is a holistic strategy framework that took strategic decision away from just analyzing the present competition. Porter Five Forces focuses on - how McDonald's Corporation can build a sustainable competitive advantage in Restaurants industry. Managers at McDonald's Corporation can not only use Porter Five Forces to develop a strategic position with in Restaurants industry but also can explore profitable opportunities in whole Services sector. The forces are given below:

1. Threats of New Entrants: New entrants in Restaurants brings innovation, new ways of doing things and put pressure on McDonald's Corporation through lower pricing strategy, reducing costs, and providing new value propositions to the customers. McDonald's Corporation has to manage all these challenges and build effective barriers to safeguard its competitive edge.

How McDonald's Corporation can tackle the Threats of New Entrants:

1. By innovating new products and services. New products not only brings new customers to the fold but also give old customer a reason to buy McDonald's Corporation's products.
2. By building economies of scale so that it can lower the fixed cost per unit.

3. Building capacities dynamic industry where the established players such as McDonald's Corporation keep defining the standards regularly and spending money on research and development. New entrants are less likely to enter a. It significantly reduces the window of extraordinary profits for the new firms thus discourage new players in the industry.

2. Bargaining Power of Suppliers: All most all the companies in the Restaurants industry buy their raw material from numerous suppliers. Suppliers in dominant position can decrease the margins McDonald's Corporation can earn in the market. Powerful suppliers in Services sector use their negotiating power to extract higher prices from the firms in Restaurants field. The overall impact of higher supplier bargaining power is that it lowers the overall profitability of Restaurants.

How McDonald's Corporation can tackle the Bargaining Power of the Suppliers:

1. By building efficient supply chain with multiple suppliers.
2. By experimenting with product designs using different materials so that if the prices go up of one raw material then company can shift to another.
3. Developing dedicated suppliers whose business depends upon the firm. One of the lessons McDonald's Corporation can learn from Wal-Mart and Nike is how these companies developed third party manufacturers whose business solely depends on them thus creating a scenario where these third party manufacturers have significantly less bargaining power compare to Wal-Mart and Nike.

3. Bargaining Power of Buyers

Buyers are often a demanding lot. They want to buy the best offerings available by paying the minimum price as possible. This put pressure on McDonald's Corporation profitability in the long run. The smaller and more powerful the customer base is of McDonald's Corporation the higher the bargaining power of the customers and higher their ability to seek increasing discounts and offers.

How McDonald's Corporation can tackle the Bargaining Power of the Buyers:

1. By building a large base of customers. This will be helpful in two ways. It will reduce the bargaining power of the buyers plus it will provide an opportunity to the firm to streamline its sales and production process.

2. By rapidly innovating new products. Customers often seek discounts and offerings on established products so if McDonald's Corporation keep on coming up with new products then it can limit the bargaining power of buyers.
3. New products will also reduce the defection of existing customers of McDonald's Corporation to its competitors.

4. Threats of Substitute Products or Services

When a new product or service meets a similar customer needs in different ways, industry profitability suffers. For example services like Dropbox and Google Drive are substitute to storage hardware drives. The threat of a substitute product or service is high if it offers a value proposition that is uniquely different from present offerings of the industry.

How McDonald's Corporation can tackle the Threat of Substitute Products and Services:

1. By being service oriented rather than just product oriented.
2. By understanding the core need of the customer rather than what the customer is buying.
3. By increasing the switching cost for the customers.

5. Rivalry among the Existing Competitors

If the rivalry among the existing players in an industry is intense then it will drive down prices and decrease the overall profitability of the industry. McDonald's Corporation operates in a very competitive Restaurants industry. This competition does take toll on the overall long term profitability of the organization.

How McDonald's Corporation can tackle the Intense Rivalry among the Existing Competitors in Restaurants Industry:

1. By building a sustainable differentiation
2. By building scale so that it can compete better
3. Collaborating with competitors to increase the market size rather than just competing for small market.

Chapter 04

Recommendations

1. **Service Differentiation:** The service differentiation strategy implies that McDonald's shall offer superior services at each step of the customer touch points right from the placement of order through the delivery of the products. Managers of McDonalds are trained professionally. As a result, they can train employees well. McDonald's employees are evaluated high by customers because of their behaviors as well as attitude. However, customers are not pleased at the idea of waiting in long lines and insufficient employees to handle the volume of customers. Just the minority, but sometimes the employees are rude forcing the customers to go to a competitor's restaurant next time. At the market which has high market share and very huge number of customers such as USA, Canada or United Kingdom, this issue occurs more frequently. McDonalds should find a way to solve it. For example, the company has to rent more employees and increase their salary in order to keep them working for a long time. This time is just enough for them to get skills to service customers well. Besides, it is necessary to increase the number of employees at the weekend or in the lunch time. More employees means that pressures are shared and avoid the bad attitudes.
2. **Personnel Differentiation:** The availability of well-trained staff is essential for delivery of high quality service to the customers. McDonald's should continue to invest in the training and development of its employees to ensure high service quality. Well-structured training programs shall ensure the long term growth of the organization.
3. **Integrated Promotional Mix:** McDonald's can implement an integrated promotion mix that has a balance of both traditional and modern digital media for brand promotions. McDonalds uses social media in the form of commercials, radio ads, and other ads posted on Instagram, Facebook, and twitter to advertise many of its products. Through social media McDonalds reaches a younger audience through its many promotional ads posted online. By hooking in all different targets and not focusing on one particular group of people to target it allows them to increase its sales. Because technology is so widely used by many different groups of people, McDonalds would greatly benefit if it is up to date with all of the information systems that are being used. For example some McDonalds use the E-Payment which allows customers to order and pay through the iPhone 6, 6plus and apple watch.
This makes ordering easy for only a few because not every McDonald's is implementing this system. They cannot limit this only to Apple users because not everyone is 100 percent Working together is the only option to advance so they need to collaborate not only with apple but other companies as well.

4. **Product Augmentation:** McDonald's can offer additional product and service features such as food on demand and home delivery so as to provide convenience to customers. Product quality can be further enhanced with fresh ingredients. McDonald's should continue to invest in menu customization and menu standardization strategies to attract and connect with target customers in diverse geographical markets. However, the company seems not diversify its products regularly while competitors are stronger and have new products gradually. First, one thing McDonald should focus on is that the play place for kids. McDonalds has play place but not in every restaurants. If you eat in McDonald's restaurant, you can be free to party while your children play at the place for kids. Customers love this service. Thus, if it is popularized in all restaurant of company, customers will be more satisfy and of course they want to comeback regularly. Moreover, toys have to be cared much more with many new interesting toys as well as safety. Jolly Bee is one brand which applies this strategy very successful. McDonalds can learn from Jolly Bee developing this service to improve its market position. Next, even if the company's menu is still relatively inexpensive compare to that of its competitors, it is not totally enough. Because apart from price, customers also make decision rely on menu. After bring a fresh menu with tuna sandwich and salad in some restaurants, especially in Britain and get support from a lot of customers, there is no new one like that. McDonalds focus too much on cheese, beef or chicken menu, more than vegetable. For instance, McDonalds has fruit slice in menu. However, it is served once a week. In the recent time, with the change in eating habit of a large part of customers, McDonalds also should change. Company should bring new vegetarian products to restaurant's menu. An organic menu is very necessary. This would give customers an alternative while allowing McDonalds to maintain its market share globally.
5. **Market Extension:** McDonalds has great expansion capabilities abroad. According to the grand matrix, market development is one strategy that McDonalds should implement. Company should prepare an international strategy which focus on big cities along with high populated areas, especially in Asia. There are not many McDonald restaurants in this potential market. Japan is the only Asian country which has a lot of McDonald's fast food restaurants. In contrast, China is considered as one of the biggest market in the world because of this country's population. Nevertheless, according to the recent figures, China is just in ninth position among the countries which have McDonald's restaurants with about 1000 restaurant while this number in US is about 14000. If McDonalds can develop more and more in Asia, it is a huge advantage for company to gain market share.

One way McDonalds could attract more customers is by looking at what its competitors, such as Wendy's or Burger king, are doing on a daily basis. By looking at what the competition is doing to attract and keep customers, McDonalds can try to improve on what they do not have to try to attract more of its competitor's customers. Being versatile and doing what many of the other fast food giants do can help McDonalds become a better service company by trying to offer something that every customer wants. While trying to attract more customers from its competitors. McDonalds can improve its customer service to ensure every new customer leaves satisfied and with the intention of returning.