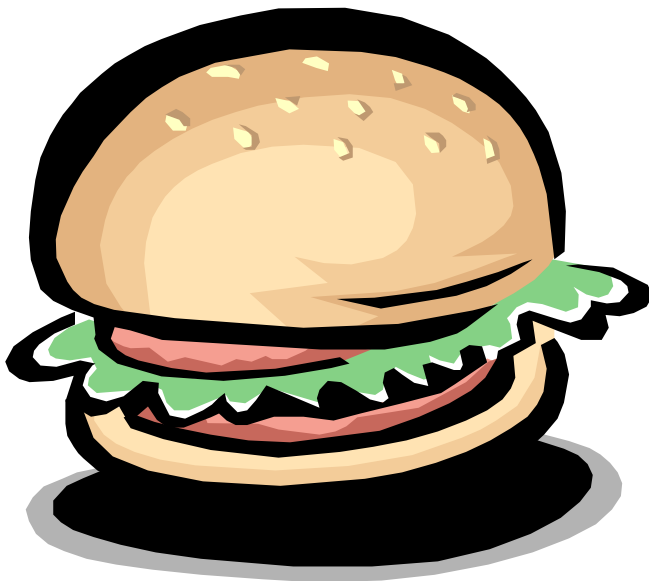


# Has the Marketing of McDonald's products been Successful?



## **Introduction**

The aim of this assignment is to investigate whether the advertising of McDonalds' products has been successful. To achieve this aim I am going to undertake research from both the general public and McDonald's itself, and use referenced information from other sources such as encyclopaedias and the Internet.

### **Background Information on McDonald's**

McDonald's Corporation Inc., a multinational fast food restaurant company, was founded by the McDonald brothers when they opened their drive-in restaurant in San Bernardino, California, in 1948. They began by selling the traditional fast-food products such as hamburgers, cheeseburgers, soft drinks and chips. By the mid 1950's the original McDonald's was generating \$350,00 a year. In 1954, Ray Kroc, a salesman who was convinced that the McDonald's idea could work in other cities was appointed by the McDonald brothers to sell franchises and a second McDonald's was opened in Illinois in 1955. By the end of the decade 228 restaurants had been opened which generated \$37.6m in revenues

McDonald's continued to grow in the 1960s and during this period it adopted many of its well-known associations. In 1962 the golden arches were adopted as its trademark and Ronald McDonald was created as its official mascot. McDonald's also pursued several aggressive marketing campaigns during this period, including the very successful "You deserve a break today." By 1972 there were 2000 McDonald's restaurants and the company had begun to expand abroad.

McDonald's also expanded its product range in the 1980s, such as the introduction of breakfast meals and the bite-size Chicken McNuggets. They have also attempted to attract new customers by introducing healthier food. However, some of these products generated disappointing sales. They have also continued to expand abroad and McDonald's was one of the first companies to start trading behind the Iron Curtain, when they opened restaurants in Moscow and Beijing. McDonald's recently signed a marketing agreement with Disney, under the terms of which McDonald's will promote Disney films through its outlets in return for operating at Disney film parks.

Life has not been a smooth passage for McDonald's however. In 1991 they were forced to sue for libel against two environmental campaigners who claimed that the spaces cleared to graze the cattle for McDonald's beef were causing deforestation in the rain forests. Although McDonald's won the case their reputation was badly damaged. In another case a woman successfully sued the company for scalding herself on a cup of McDonald's coffee that had broken when she put it between her legs. Some of McDonald's promotions have also gone wrong, such as in January 1999 when a "2 for 1" promotion for the Big Mac had to be suspended due to an unexpectedly huge demand.

McDonald's main rivals in the fast food market are Burger King, Kentucky Fried Chicken (KFC) and Wimpy.

# **How I will investigate whether McDonald's advertising has been successful**

To judge whether McDonald's advertising has been successful, it is necessary to canvas the general public about the effect of McDonald's promotions and whether they visit McDonald's often. I will also gain information from McDonald's own sources such as their website and writing to them asking for information. Firstly, I will examine the methods that McDonald's has used to market its products:

## **Marketing - the 4 'P' s**

Marketing is all about the four 'P's - product, promotion, pricing, place. Here we will examine how these affect the marketing of McDonald's products:

### **Product**

The product is the item that the company is selling to the public. In McDonald's case, it is the burgers, chips and drinks that are the products. A business often sells many different products in order to generate more sales and also to reduce its risk should one product fail. Different products may cater for different markets too. For example, the Big Mac is made for those who like to eat beefburgers, and the Chicken McSandwich is made for customers who prefer chicken. In this way McDonald's is satisfying two markets and therefore increasing sales. This is known as product differentiation.

To increase sales further a business will try to make its product as different from its competitors as possible. This will make it easier for customers to recognize the product and hopefully want to buy it. Businesses can try to make their products different in several ways, as shown by the example of the McDonald's:

#### **a) Design and formulation**

The products sold by a company can vary differently in their design although they are essentially the same type of product, thus creating a different formulation. For example, the Big Mac and Quarter Pounder are both beefburgers, but different sauces and ingredients are used in their preparation which makes them different.

#### **b) Name**

The name of a product can be very important in marketing. If the name is one that consumers will remember well or is attractive to the customer the product is likely to sell well. Such names tend to be short and easy to remember so that they will stick in the customer's mind and should also say something positive about the product. The Big Mac is a typical example of this - the name is very well known and cannot be used by any other company (due to copyright); it is short and easy to remember and the word "Big" makes the customer believe that they will be served a good product.

#### **c) Packaging**

Packaging is used to deliver products safely to the consumer and enable them to use the product effectively. McDonald's uses plastic foam packaging for its burgers and cardboard containers for its chips, which is superior to its rivals which use paper wrapping for the burgers and paper bags for the chips.

## Promotion

Businesses need marketing to communicate with their customers. Without it customers would not know about the company's products or even about the company itself. It is thus vital that advertising is done through as many channels as possible so the maximum numbers of customers are reached. McDonald's has done this by advertising on television, radio, newspapers, magazines, posters, sponsorship of well-known events such as the World Cup and even on the Internet.

Sales promotion is done in a variety of ways. Large companies use logos or well known personalities in their advertising. In McDonald's case it is the famous "golden arches" logo and the popular clown Ronald McDonald which are used to sell its products. Slogans are also used to promote a particular new product or just simply to attract new customers, and McDonald's has done this with its campaigns like "There's nothing quite like a McDonald's".

McDonald's has further increased its market awareness by sponsoring high-profile events. It recently sponsored the Football World Cup and the Olympic Games, but also sponsors at lower levels for local competitions. It has also run special promotions and competitions for people who buy its products, such as Monopoly money and the World Cup scratchcards, plus special offers in which videos and music can be exclusively ordered after a certain amount of McDonald's purchases.

It is also very important for a company to maintain a good public image, otherwise customers will avoid it and switch to alternatives. McDonald's has given itself a charitable image by its supporting of many charities such as the Ronald McDonald foundation for Sick Children. They have also removed "non-eco" CFCs from its burger packaging to please environmentalists.

## Types of Advertising

The types of advertising that businesses can use include:

**Informative** - straight, simple and straightforward advertising. McDonald's use this on the signs that show the directions to their restaurants that are placed in public places.

**Combative** - attempting to change people's minds over the brands they use. McDonald's has done this by advertising their lower prices and the ingredients in their burgers.

**Persuasive** - tries to get you to go and see what is being offered. McDonald's has used various promotions such as with the World Cup and Monopoly money to encourage more people to visit their restaurants.

## Price

A business needs to think very carefully about its pricing in order for it to maximise its revenue. Setting the right price for a product is crucial. A price that is too high may lose sales as consumers switch to cheaper alternatives, but a price that is too low may also lose revenue as consumers may think that a lower price means lower quality. In order to attract customers a business may use a variety of different pricing strategies such as discounts and sales. A company may run special offers in order to attract new customers, in which prices are temporarily lowered or some incentive is offered to buy. McDonald's has done this with its "2 for 1" offer with the Big Mac and the introduction of special novelty burgers such as the McTriple which are only on sale for a limited time.

Other strategies used are penetration pricing, in which a product initially has a low price but is lowered later. There is also the concept of the "loss leader" in which one product is sold very cheaply and loses money but other products sell better due to increased consumer awareness. McDonald's have done this by pricing their hamburgers at just 59p.

## **Place**

The place that a product is sold is important. A product will not sell well in areas where demand for it is low and it must therefore be situated well to attract the right consumers.

McDonald's has taken note of this by placing its restaurants in places such as airports and stations, where a quick snack is exactly what people at these places will be looking for. They have also developed "drive-thru" restaurants so that car drivers can quickly buy their food and leave again without having to get out of their car, which are unsurprisingly situated near main roads.

Since the products that McDonald's sells are of low price and high volume they are first supplied in bulk to the restaurants and then sold to the customer. This is obviously more practical than a customer ordering a burger from the main company.

## **Research**

To find out whether McDonald's advertising has been successful, it is necessary to undertake a questionnaire in which the opinions of the public are sampled. Although information from the company will be useful, the only way that we can know for certain whether the advertising has been productive is to ask the public themselves. This could be done by interview, questionnaire and telephoning. Interviewing the public would not be very practical for this type of research and telephoning would be costly, so I believe that the questionnaire is the best method.

There are several problems with questionnaires, for example the fact that closed questions (ones which require the respondent to answer a selection of answers) may not enable the respondent to give an answer which completely reflects their feelings (particularly when asking their opinion of something), whilst open questions (ones which the respondent can give any answer to) can make productive data analysis difficult due to the potentially infinite number of possible responses. Other problems with questionnaires include the possibility of respondents lying about certain questions (eg age) and the fact that they may not be able to give a complete picture of the respondent's feeling.

There are two main methods of sampling - random (at which respondents are picked out at random) and stratified (in which a certain number of an age group and/or gender are picked out). I will use random sampling because it will enable the whole spectrum of the public to be sampled and therefore give me a more justifiable conclusion. Although there will probably be more people in one gender/age group than another, as long as the differences are not too great then the results should not be too badly affected.

To complement my research I will use financial information from McDonald's to assess their current financial situation and whether their marketing strategies have been successful.

# The Questionnaire

In this section I will go through the questions asked on my questionnaire and the reasons why I chose to ask them.

## Questions 1 & 2: What gender are you? and How old are you?

These questions give us some personal information on the respondents which will enable us to match their responses against their profile, which may be useful information.

## Question 3: How often do you purchase fast food?

*Choice: Very often, often, occasionally, seldom, very rarely, never*

This question shows the attitude of the respondent to fast food and therefore whether they are regular purchasers. This question can also be reflected in the answers to questions 1 and 2 to show how this opinion changes according to age.

## Question 4: If you answered "very rarely" or "never" to Q3, what puts you off purchasing fast food?

*Choice: Taste of food, unhealthy, too much advertising, too expensive, bad service, no local outlet, other*

This question enables us to find out why the people who are not regular McDonald's customers do not purchase their products, and therefore show the areas that McDonald's needs to improve on.

## Question 5: If you answered "seldom" or above for Q3, which of the following type of outlets do you most frequently visit?

*Choice: McDonald's, Burger King, KFC, Wimpy, Local Fish and Chip Shop, Other*

This question enables us to find out which are the most popular fast food restaurants and thus which are the most successful.

## Question 6: Have you heard of these McDonald's products?

*Choice: Big Mac, McSandwich, McNuggets, Quarter-Pounder, Arch Deluxe, Happy Meal, McShake, Extra Value Meal*

This question enables us to find out the level of brand awareness that McDonald's has so that we can judge the successfulness in advertising these products.

## Question 7: Where have you seen adverts for McDonald's?

*Choice: Newspapers, Magazines, Radio, Internet, Posters, Television, McDonald's sponsorship*

This question will show us how much of an impact the advertising of McDonald's has had and how successful they have been in reaching the general public.

## Question 8: How much of an impact has McDonald's advertising had on you?

*Choice: A great deal, quite a lot, not much, hardly any, none at all*

This question will tell us the level of impact that McDonald's advertising has had on the population and whether it has been successful in influencing them to buy.

## Question 9: Have McDonald's promotions influenced whether you buy their products?

*Choice: More likely, no effect, less likely*

This questions tells us whether the special offers and deals that McDonald's have run have been successful so we can evaluate the success of this particular area of advertising.

**Question 10: If you are a regular McDonald's visitor, what is your opinion of their prices?**

*Very expensive, expensive, just right, cheap, very cheap*

This question tells us if McDonald's pricing has been effective and whether its customers are happy with it.

**Question 11: If you regularly purchase fast food but DID NOT select McDonald's as your most preferred outlet in Q5, what puts you off from purchasing their products?**

This question will tell us why fast-food eaters who do not visit McDonald's avoid it.

**Question 12: Do you think that McDonald's has a good public image?**

*Choice: Yes, No, Not sure*

This tells us whether there is a good public opinion of McDonald's and thus whether they have given themselves good publicity by their advertising.

## **Results**

100 questionnaires were randomly distributed among the public between 4th and 11th February 1999. They were deliberately not distributed at McDonald's restaurants as this would obviously have prejudiced the results.

**"Consolidated Statement of Income"** From the McDonald's website (1997 Annual report):

## **McDonald's Advertising**

McDonald's advertises extensively throughout the mass media. It has run many television and radio commercials, and its slogans such as "There's nothing quite like a McDonald's" have become synonymous with the company. McDonald's has also used posters, newspapers and magazines to advertise in and has tried to make as many "impacts" as possible to cover as wide a share of the market as they can. There are many signs and directions in stations and streets too, in order to attract as many customers as possible.

McDonald's has used characters such as Ronald McDonald, the familiar clown who was invented in the 1960s and its famous "golden arches" logo to promote its brand awareness. They have also used the "Happy Family" of Grimace and Officer Big Mac and friends to promote their Happy Meal range. McDonald's has also sponsored major sporting events like the Football World Cup and the Olympics and also have high-profile charity causes. These all help to promote awareness of the McDonald's brand.

McDonald's is also keen to attract new, young staff as can be seen from the advertisement below:



# 1. What gender are you?

Male	55
Female	45

## Business Studies Coursework

## Results

# 2. How old are you?

0-10	15
11-20	22
21-30	25
31-40	14
41-50	12
Over 50	12

battery

# 3. How often do you purchase "fast food"

	Males	Females		0-10	11-20	21-30	31-40	41-50	Over 50	
Very often	7	1	8	1	4	2	1	0	0	8
Often	17	13	30	4	10	6	5	3	2	30
Occasionally	18	10	28	6	6	10	3	2	1	28
Seldom	6	7	13	3	1	4	0	1	4	13
Very rarely	4	6	10	1	1	2	2	1	3	10
Never	3	8	11	0	0	1	3	5	2	11
	55	45		15	22	25	14	12	12	

# 4. What puts you off McDonalds' food?

Taste	16
Unhealthy	4
Advertising	0
Expensive	7
Bad Service	3
No Local	0
Other	4

# 5. Which outlets do you most often visit?

McDonalds	
Burger King	32
KFC	20
Wimpy	8
Local	0
Other	4
	2

# 6. Have you heard of these products?

Big Mac	
McSandwich	98
McNuggets	86
Quarter-Pounder	78
Arch Deluxe	73
Happy Meal	16
McShake	86
Extra Value Meal	65
	78

# 7. Where have you seen advertisements for McDonalds

Newspapers	
Magazines	86
Radio	78
Internet	42
Posters	13
Television	88
McDonalds Sponsorship	80
	90

## **Conclusions**

The results from the survey and from the McDonald's account sheet show some interesting and revealing figures, which show some general trends about the company. We can use these findings to reach some recommendations after carefully analysing the figures.

The McDonald's balance sheet shows that the company is in a healthy state. Profits before tax have risen from \$1,572m in 1996 to \$1643m in 1997 so the company has done well in the previous financial year, indicating that it has marketed its products effectively. We can also see that advertising is a high priority for McDonald's as it spent \$1450m on it in 1997, which explains why it is so extensive.

The questionnaire results also gave us some interesting results. Question 3, which asked respondents how often they purchase fast food. 24 males said that they purchased fast food very often or often, but only 14 females gave a similar response. Similarly, 27 people aged between 0 and 30 gave the above response, but only 8 people aged above 30 did this. These findings happened because females tend to be more self-conscious about their weight and personal appearance and are thus more likely to avoid fast food which is viewed to be unhealthy. Males are less worried about their weight so feel free to eat more "junk food". Younger people ate more fast food because McDonald's is a relatively new occurrence, so older people would not have grown up with fast food and are thus less likely to want to eat it.

The views of those who were against fast food in Question 3 were backed up in Question 4, in which the taste and unhealthiness of the food (28 out of 34 responses) were the main reasons for people avoiding it. This shows that McDonald's main problem with people who are not regular customers is a basic dislike of its basic products. Question 11 confirmed this in that regular fast food eater avoided McDonald's due to the taste of the food (20 out of 28 replies).

McDonald's emerged as the runaway brand leader in Question 5 with a 58% share of the people who answered the questionnaire. This shows that McDonald's marketing strategy has been successful in attracting the most people to its restaurants. However, part of this result is probably due to the large numbers of McDonald's restaurants which means the public is more likely to enter a McDonald's than, say, a Burger King, because there is more of them.

Question 6 showed that McDonald's has very good brand awareness. Virtually everyone (98%) had heard of the Big Mac, and about 75% had heard of the other McDonald's products. The exception was the Arch Deluxe which hardly anyone had heard of. This again suggests that McDonald's has been successful in promoting its products as they are so well known and again points that the massive amount of advertising has helped to win over customers.

Question 7 confirmed that McDonald's advertising is very widespread and 80% had seen advertising in all of the mass media. This shows that McDonald's has been able to cover all forms and advertising and deliver a large impact on the consumer. These findings were further backed up by Question 8 in which nearly half of the respondents admitted that McDonald's advertising had had "quite a lot" of an effect on them which had influenced them in their choice. This again suggests the success of McDonald's advertising. A quarter also admitted in Question 9 that McDonald's promotions had made it more likely that they would buy McDonald's products so these are obviously beneficial too.

Nearly half (45%) felt McDonald's had got its pricing "just right" and only 5% felt it to be "very expensive", indicating that McDonald's has also done its sums well on its pricing strategy. However, only half thought that McDonald's had a good public image, so not everything is good for the company. Despite this, the findings from the survey show that McDonald's has generally successfully marketed its products.

## **Recommendations**

The research showed that the main reasons that people avoided McDonald's was the taste of its food and health concerns over its products. It also showed that females were not as willing to buy burgers and chips as males, particularly in older age groups. McDonald's should therefore be targeting this sector of the market in order to increase their sales. It could do this by introducing healthier products such as low-fat content chips and burgers which would make self-conscious females more prepared to buy their products. It could also launch products designed to appeal to older generations such as more traditional foods.

McDonald's is also losing customers to other companies chiefly because those people do not like the taste of their products. They should therefore try to launch new and varied products in order to attract these customers and therefore increase their revenue further.

Finally, the survey showed that McDonald's does not have a brilliant public image and it should therefore be addressing this. It could do so by making its products "greener" than already (eg actively supporting rainforest re-growth instead of simply saying it will not graze there), offer a more friendly service and donating more to charity, as the company is making very large profits and can afford to do this.

## **Evaluation of Research**

Overall I feel that the research that I conducted was of good value. It gave some good and logical results which could be used to reach a firm conclusion. Nevertheless there were several ways in which I feel that it could be improved upon.

One problem with the research was the size of the sampling. Although 100 people is quite a large number for a survey of this type, it is not really enough to reach a firm mandate for presenting the evidence as the 100 people sampled may not be representative. Increasing the number of surveys sent out to about 500 would help to reach a firmer and more justifiable conclusion.

Another problem was that there was not an even distribution between the personal details of the respondents which may have prejudiced them in some ways. It would have been better to have split these up into equal groups of age and gender (eg 10 males aged 0-10, 10 males aged 11-20 and so on) to make the findings more "stratified". The use of a survey also meant that it was not possible to ask more structured or detailed questions.

There were some problems with the responses to the questions which may have meant that the proportions in the answers were not accurate. For example, Question 7 asked respondents where they had seen McDonald's adverts, one of the responses to which was "Internet". Twelve people said that they had. However, this is assuming that everyone who answered the questionnaire has Internet access, which is probably not true as only about 7% of UK homes are connected. This makes this result suspect.

There are also some contradictions in the results which could cast further doubt over them. The overwhelming reason why people avoided McDonald's was due the taste of the food, yet hardly anyone had heard of a healthier alternative, the Arch Deluxe. Another contradiction occurred when 60% said that they used McDonald's most often yet only half thought it had a good public image.

Despite these shortcomings, I believe that the research that I conducted was of a good standard and it is justifiable to use it for a conclusion such as the one reached above. However, it could be improved by sampling more people, in a more detailed and stratified way and by thinking more about the questions asked.