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# Marketing Plan: MacDonald's



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# Abstract



McDonald's is a global fast food restaurant that operates in over 100 countries. The company has long expanded its business operations internationally. As compared to other businesses in the same industry, McDonald's surpassed all of them as far as sales and popularity are concerned at the global level. However, it still has very close rivals such as KFC. The current study will discuss the marketing plans that have been adopted by McDonald's in its international operations and markets. It will investigate the marketing and competitive strategies and provide an analysis of the market situation in its bases. The paper takes a look at the background information on McDonald's company and provides an analysis of the marketing strategies including the marketing mix that is adopted by the company. Further, a Strengths, Weaknesses, Opportunities and Threats analysis of the company will be done to see the failures of the company in the current competitive business environment.

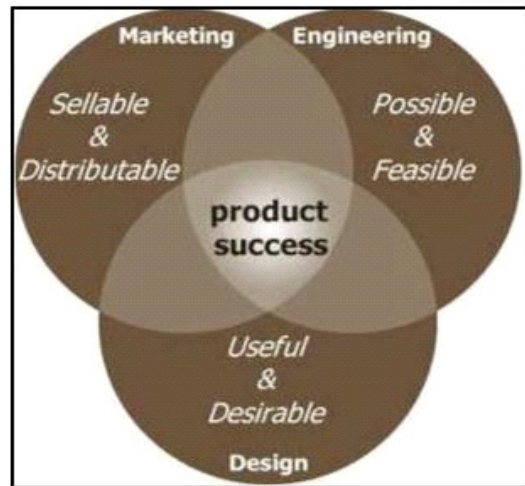


# Marketing Plan: MacDonald's

## Executive Summary

McDonald's is a fast food chain restaurant that was established in the year 1954. The chain has about 30,000 outlets that are spread across more than 120 countries thereby making it one of the largest food chains globally. It began its operations in 1998 at Lahore and has a presence in seven big cities with a network of over 20 restaurants. They use Ronald McDonald as a clown character and their main mascot where the clown inhabits the fantasy world known as McDonaldland (McDonald's Corporation, 2015). Recently, McDonaldland has been phased out and in place of it there was introduced a picture showing Ronald interacting with children as they engage in their daily activities. Further, many people are engaged in the company's activities on full-time basis adorning the Ronald McDonald costume and visiting children in hospitals.

After conducting an analysis of the market, finding the key factors and understanding the target segment together with the market demand, it is the duty of every company to use offers or plans with the help of which the company may grow. This has seen McDonald's adopt the 4p's marketing mix in order to stay on course with the other companies in the industry. The 4P's include Product, Price, Promotion and Place. Product is described in the following 3 circle diagram.



## Company Description

The headquarters of McDonald's company are located in Oak Brook, Illinois, the United States of America. It is the largest fast food chain restaurant in the world with a presence in over 120 countries across the world. The logo of the company represents McDonald's with a big yellow "M". The company was started by Richard and Maurice McDonald who opened the first McDonald's store in the year 1950 in the United States of America (McDonalds Corporation, 2015). The company primarily deals with the sale of hamburgers, French fries, deserts and salads. The company never had a variety of foods on their menu but they gave out food supply that have a high quality and which are of low cost in the right environment. By the year 1983, the company had reached 6000 branches in the United States alone and in 1967 it launched its first overseas branch in Canada. By the year 1985, the company's sales abroad reached about 20% of the domestic businesses. Every single day there are over 18 million people who visit McDonald's in the countries

where the company's restaurants are available making it accrue revenue of over 27.56 billion U.S dollars (McDonalds Corporation, 2015).

## Mission and Vision of the Company

The mission of McDonald's is to be a favourite place for the customers where they can eat while being offered quality services, cleanliness and value for their money at all times. In the mission statement the company invites their customers to be part of them as they are the winning team that offers an opportunity for growth and evokes smiles on the faces of millions of customers (McDonald's Corporation, 2015).

The vision of the food chain restaurant is to be the best quick service restaurant that offers experience backed up with a number of core values and guiding principles. In their statement of their marketing goals they acknowledge that customer perception is one of the greatest things which ultimately lead to the success of the products of a company (McDonald's Corporation, 2015). In this regard, they have designed their marketing strategies even as they take into account the views of their customers and rely on the fact that a number of innovations in the products may not succeed because of the inability to offer a strong perception to the customers.





# Environmental Analysis



## External Environmental Analysis

**I. POLITICAL AND LEGAL.** The company has been involved in many lawsuits as well as legal cases the majority of which entail issues related to trademark disputes. Further, it has threatened a number of food businesses with the institution of legal proceedings when they insist on using the Mc or Mac in their trade names. In addition, the company had to defend itself in many cases that deal with the rights of its workers (McDonalds Corporation, 2015). In 2001, a fine of £12,400 was imposed on the company by the British court for the employment of children in its operations in London. It was singled out for the Business Ethics award by the Business Ethics Magazine in the year 1999. Nevertheless, the magazine never awarded them the award because of their alleged involvement in unfair treatment of animals.

**II. ECONOMIC.** The Wall Street Journal gave a report in its July 24<sup>th</sup>, 2009 publication that the sales of McDonald's decreased to unexpected levels. The decline was a recent one as was reported in the journal. It was enumerated that the April sales figures were higher in 2009 at 7 per cent as compared to the value in June the same year when they were at 2.6 per cent. Similarly, the profits were a low of \$1.09 billion in comparison to \$1.19 billion in the previous year (McDonalds Corporation, 2015). Clearly, the income was characterized by a drop of \$10 billion in the sales in that period. Despite the drops in revenue, it still remained a world leader in fast food business as it commanded a



high target market with low expenses.

**III. SOCIAL.** Being one of the best examples of growth in the American fast food industry, it has been targeted for criticism on issues that deal with its menu, its expansion procedures and other business practices. To respond to the public pressure that has been mounted by the public, they have resorted to the inclusion of healthier foods in the menu and also introduced a new slogan to mark the recruitment process in the postures (McDonald's Corporation, 2015). They made an announcement on May 22, 2008 in the United States that they would be using cooking oil for the production of French fries that contained no fats. Further, the company is known to spend more money on its advertisement programs than any known brand in the food industry. In addition, the company has a great number of playgrounds in its areas of operation as part of its corporate social responsibility.

**IV. TECHNOLOGICAL.** The company is committed towards the improvement of equipment that is likely to have the greatest impact on the environment if not maintained. This equipment is also maintained so as to help in the saving of energy as this is part of one of its green initiatives. It has established long-lasting relationships with its suppliers which has seen both parties cherish growth and development in equal measures (QSR Initiative, 2013). Such relationships have enabled the company to engage in dialogue that is aimed at finding the solutions to challenges faced by people globally. In addition, the company asked the partners to ensure that the appliances they supply are of the highest quality which helps in minimising the losses it accrues due to faulty



equipment.

The choice of efficient equipment such as refrigerators is evaluated on a case-by-case basis even as they look at the most relevant factors like the protection of the environment, adherence to the health and safety measures and the efficiency in terms of the energy output. However, they are in the wrong records for the production of million tons of package materials which they use for a short time before finally discarding them (Rahmani, Emamisaleh, & Yadegari, 2015). These packages later accumulate in the atmosphere and hence contribute to major environmental problems.

## Internal Environmental Analysis

**I. CAPITAL RESOURCES.** The company has annual revenue of \$2.2 million with a nominal margin between 6% and 8%. Its revenue according to geographical regions is detailed in the table below:

Table 1.

Revenue by geographic region		
Region	Revenue value	Per cent revenue
Europe	\$7,063	37%
United States	\$6,958	35%
Australia/Asia-Pacific	\$2,814	15%
Latin America	\$1,328	5%



Canada	\$947	6%
Other	\$1,345	7%

Source: (McDonalds Corporation, 2015).

**II. HUMAN RESOURCES.** McDonald's has a chain of stores present globally which have the same features. In this regard, the employees in each of the locations are trained to make the process of getting food efficient in a way that it saves on money for clients. When this cooperative saving is spread across all of its areas of operation it will become a significant effort for the company (Samuel, 2014). This process of saving on resources has been lauded by the majority of its stakeholders and has been dubbed one way of leveraging resources.

**III. ORGANIZATIONAL STRUCTURE AND CULTURE.** The fact that the company has its operations globally means that its managers have to be trained on how to handle diversity. As a result, the company has held workshops that help in making the managers have a full advantage of the diverse work environment and at the same time ensure that every worker has an input in the work environment (McDonald's Corporation, 2015).

**IV. PRODUCT DEVELOPMENT.** The products being offered by McDonald's are handled with care by considering the perceptions that the customers have towards the individual products. As such the ultimate consideration for the products has always been the production of healthy foods, a consideration of the quality and nutrition of the end

products, as well as creation of larger menus and products that specifically target children (McDonalds Corporation, 2015).

**V. TRAINING.** The company has in put in place meetings to welcome new recruits which are also used as avenues for telling the recruits about the standards of the company. Further, it carries out floor-based or what can be referred to as on-the-job training sessions. To crown it all, the company has established “Hamburger University” where it trains its employees to deal with production of food. For the managers, the company offers a strong detailed diversity training program which is also supplemented with quality management trainings (Yun-sheng, 2001).

**VI. SYSTEM AND PROCESSES.** McDonalds holds its employees dearly as it recognises that they are responsible for shaping the image and for the starling performance. In this regard, they offer the best employee experience that enables the company to achieve its mandates of providing the best services to its customers even as they make use of the latest technologies.

## Market Analysis

Statistics reveals that the global fast food industry reached a value of \$102.7 billion in the year 2006 which represented a growth of 4.8%. This value grew up to \$125.4 billion in the year 2011 which represented an increase of 22.2% from the one in 2006 (Van Waterschoot & Van den



Bulte, 1992). Being the world's number one company in the industry, it has more than 30,000 restaurants in over 100 countries and hence serves millions of people in the world. This growth is attributed to the policy that the company has adopted. It has developed a unique business model known as the "three legged stool" where the three legs represent the owners or operators, the suppliers and the employees of the company (Samuel, 2014). The organization develops, operates and franchises its services globally through its system of restaurants that helps them assemble and sell a limited menu of prepared foods. McDonald's has been a pioneer in food quality specifications, marketing and training programs which are known as great standards in the industry.

Since the year 2003, McDonald's has adopted two types of strategies to take care of the rapid change that comes with consumer preferences and to tolerate the changes in the demographic style of spending. The company has expanded its business to incorporate the variety of products and the renovations in the restaurants that it has already established as opposed to opening up new restaurants. On the other hand, they continue to open up new restaurants in Asia as a strategy for exploring the markets in the given region (Yun-sheng, 2001). In the new markets, they promote the culture of the country that they operate in as opposed to practicing the culture of the headquarter company. This strategy of promoting the culture of the host country has seen it to achieve success as an international fast food chain. The markets in Asia and in Pakistan are rapidly growing with more outlets being opened in many of the cities in Pakistan because of the increased demands.

Table 2.

*Revenue Statistics Analysis For Mcdonald's For A Two Year Period*

	2014-2016 Values	2016-2019 Projected Values
Revenue worldwide	U.S Dollars 22.6 Billion	30.3
Operating income	U.S Dollar 6.51 Billion	12
Net income	U.S Dollar 4.31 Billion	7
Total asset value	U.S Dollar 29.2 Billion	38
Total equity	U.S Dollars 13.2 Billion	20

Source: (McDonalds Corporation, 2015).

## Competitor Analysis

The emergence of food chain has seen industry players to add features and reduce the prices of the products. McDonald's is a leader in the market of food and beverages that is now faced with fierce competition from the companies that have recently entered the market. Because of the strong competition it is faced with, it has to update its business strategies so that it may remain at the number one position as it counters the threat of its competitors (QSR Initiative, 2013).

Some of the strong competitors of McDonalds are KFC which has its original location in Africa; PizzaHut whose original location is the United States and YUM!brands whose original location is in Milifor. A description of each of the companies is detailed below:

## **I. KFC**

Towards the end of the 1960s, KFC began its operations in the United States and its owners set their focus on the international markets. By the year 1971, the company had established 2450 franchises as well as 600 restaurants that were owned by the company in 48 countries where it established its operations (Samuel, 2014). In 1986, the company was acquired by PepsiCo together with Pizza Hut and Taco Bell immediately thereafter. Currently, KFC has over 8 million customers in the whole world that consume its products.

## **II. YUM!brands**

YUM!brands is inclusive of KFC, Taco Bell, Pizza Hut restaurants. The Chinese market is majorly dominated by the YUM!brands. Because the Chinese market is dominated by this brand, there is a huge competition for the entrance of McDonald's into the Chinese market. YUM!brands has split their operations and is managed under different brands to generate revenue while McDonald's operates only under one brand. This marked difference easily translates into fierce competition and rivalry for customers (Samuel, 2014).

# **SWOT Analysis**



Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is a major component in the management of company operations as well as the promotion of a marketing functional analysis. It includes an overall evaluation of the strengths, weaknesses, opportunities and threats of a





given company in line with the environment where it operates. This report provides the SWOT analysis in the region of Pakistan.

## Strengths

Strength means the internal potential of the organization. The focus of evaluating the strengths of McDonald's lies in looking at its micro environment which consists of the image, the fulfilment of the customer expectations and the satisfaction of its human resources.

McDonald's is seen as the fastest growing food chain globally and its products are found in most parts of the globe (McDonald's Corporation, 2015). In addition, the company has created a positive and strong image in the minds of its customers as it offers clean and healthy foods. In addition to the healthy foods, the company offers a fast enough service delivery to the customers that is also friendly in equal measure.

The other strength that McDonalds has is the ability to fulfil expectations of the customers as it ensures high productive value. The fulfilment of the customer's expectations is their strongest marketing element in the region of Pakistan.

McDonald's is also known to be innovative as it ensures quality of the products that it offers to the public. Their innovation has made their customers to always expect a better experience in taste and a variety of the products offered (McDonalds Corporation, 2015).

Lastly, they offer one of the best human resource satisfactions to their customers. It is their belief that in order to build a robust employee-customer relationship their employees have to be kept satisfied by giving them other incentives apart from better pay.

## **Weaknesses**

The weaknesses of the company are the existing internal system setbacks as well as negative environment that influences its business operations. The weaknesses of McDonald's have been identified as over exposure, the emerging trend of its customers and the problems in the external environment. The weaknesses are described below: The company has over exposed itself in the sense that all of its products are found everywhere. This is a setback in the Pakistani market since most of the Pakistani people have a liking for something unique. The overexposure may be a hindrance to most of these people who may find it boring to consume one product day after day. In addition, when the products are easily available, most people may be tempted to try out new products that are offered by other companies. The lack of uniqueness has made McDonald's lose to the companies which offer unique products in the market. McDonald's has lately been disadvantaged by a high rate of migration of their customers to other brands. The exodus has been occasioned by the lack of advancement or innovation in the products that the company offers (McDonalds Corporation, 2015).

Lastly, the prevailing external environment has not been favourable to

McDonald's lately. Opportunities that exist in the market are the cornerstone for the growth of any company. As such, technology is the benchmark for the success of any organization yet McDonald's relies on some of the oldest technological advancements to run its operations. Politics is another factor that plays an important role in enhancing the reputation of a given company. In the case of McDonald's, they have faced an increase in attacks from their customers and competitors after they introduced products into the market that the customers were not pleased with in one way or another. The law sometimes is a hindrance to the use of some of the products in the countries it operates in due to cultural aspects (McDonalds Corporation, 2015).

## Opportunities

There are a lot of markets that have not been explored globally and in Pakistan as well. McDonald's has the opportunity since they have a large capital outlay and what is left for them is related to a proper marketing of their products (Samuel, 2014). In the past, they were known to use children as their brand ambassadors. Even though it is cool to use children as their ambassadors, they should also make use of adults who are health conscious to penetrate other markets.

## Threats

There has been an increase in the number of franchises in the market lately. This increase poses a threat of higher competition to McDonald's like never before hence denying them the opportunity to expand their operations. Further, when the market is more saturated with a range of

products, it becomes quite hard to expand the same line of products (Yun-sheng, 2001). The other threat is that some people have lately championed a ban on some of McDonald's products because they argue that the products are unhealthy as they contain a lot of fat in them.

## Marketing Objectives

McDonald's has the following marketing objectives in undertaking its core business operations:

Table 3.

<b>Profitability</b>	<b>I.</b> To make more profit
<b>Healthy foods</b>	<b>II.</b> To provide high quality food that makes their customers satisfied.
<b>Increase in sales</b>	<b>III.</b> To make 20% profit on the lower end annually and increase the sales as the years go by.
	<b>IV.</b> To increase their operations and networks globally

Source: (McDonalds Corporation, 2015)

## Marketing Strategy

McDonalds have segmented their market to target them in terms of their demography, geographical factor and psychological factor as has been explained in the table below:

Table 4.

Factor	Element
<b>Demographic factor</b>	Target people aged between 18 to 50 years as well as children below 18 years
	Target social classes are those in the middle, upper middle and upper classes
	Those whose income is 100 U.S dollars and above
	The gender targeted is both males and females
<b>Geographic factor</b>	Its countries of operation
	All cities of operations including the headquarters
	In terms of the population they target millions of people
<b>Psychological factor</b>	It targets people of all occupations such as students, executives, and social workers
	Its professionals fall into the category of cooks, hotel managers and delivery servicemen in the case of partners.

Source: (McDonalds Corporation, 2015)

A marketing strategy must be put in place which will help to determine the means by which a given number of set objectives may be realised. The objectives are the communicators of what the marketers want to achieve even as they guide the actions of the marketer and are being used to measure the effectiveness of a plan. McDonald's has broken down long term objectives into short time ones to guide the achievement of their milestones (McDonalds Corporation, 2015).

They measure their results on a regular basis to be informed whether

the objectives they have set are being realised. The feedback they get is important in informing the company on what plans should be changed.

## Marketing Mix



The marketing mix in McDonalds is a combination of product; price, promotion and place that enable its products reach the consumers in time.

### I. PRODUCT

The significant issue to remember when giving customers menu items is that the customers have a lot of choices as for where they wish to spend their money for the given products. Because they want to retain their customers, McDonald's spends a lot of efforts on coming up with their menu options and they do marketing research before finally settling on a menu. The preferences of customers always change and as such the company has come up with new products and removed the old ones from their stock (McDonalds Corporation, 2015). This change in products is undertaken in a careful way and sometimes accompanied by online and television advertisements so that they do not get losses in sales.

### II. PRICE

The value that a customer has on a product is an important factor influencing the price that is placed on it. Customers often have a value for every product that is sold to them. There is a danger of under-pricing





items because customers may feel the product is of lower quality. There are instances when the competitors may offer products that have similar prices hence eliminating demand. McDonald's has taken steps to ensure that its products are priced rightly so that they continue to be of high demand in the market (Samuel, 2014).

### **III. PROMOTION**

Promotion takes care of all kinds of communications in marketing. One of the methods of promotion that is employed by McDonald's is advertising. The company carries out its advertising on television, radio, cinema, in newspapers, through the internet and on postures. Before a product is advertised, the owners of the media are paid in advance. The other methods of promoting sales include display at the points of sale and merchandising (Samuel, 2014).

### **IV. PLACE**

Place as an aspect of the marketing mix does not just mean the physical location or the points of distribution of the products. Place involves the management of a number of processes that are related to the delivery of products to the final consumer. McDonald's has set up its operations in a number of towns and cities in the world to ensure that its products are available to its consumers (Samuel, 2014).

## **Marketing Implications**



McDonald's has dominated the food industry as it has the largest food



chain outlets globally. It has established a market share of about 7.7% in the food service industry within the United States alone. The company has a market of 43.1% in the segment that deals with burger production alone, however, in case of other segments there is a need for it to put more effort to realise growth. The firm's revenue grew by a 9% rate and recorded 21.6 billion in sales. This value increased by 5.7% in the year 2005 (Samuel, 2014).

## Evaluation and Control

### McDonalds Action Plan

The table below gives a description of an action plan put in place by McDonald's in driving its operations.

Table 5.

Strategy	Action Plan
<b>Promotion of its products</b>	<ul style="list-style-type: none"><li>• A voluntary reduction of advertisements whenever children's television programs are being aired</li><li>• Coming up with Happy Meal Choices which offer ways to assist families in choosing food options that complement a balanced diet.</li><li>• Moving away from toy focused advertising to ensure that Happy Meal advertisements are geared towards experience of Happy Meals.</li><li>• Taking part in the promotion of lifestyles through their licensed characters.</li><li>• Taking part in the sponsorship of local sporting events.</li></ul>

<b>Provision of healthy foods</b>	<ul style="list-style-type: none"> <li>• Introduction of DI% nutrition labelling on packages to help customers choose the product they want.</li> <li>• Introduction of kilojoules' labelling on their menu boards in the whole country.</li> <li>• Reducing sodium and sugar in all of their products</li> <li>• Introduction of foods that are free from fatty acids.</li> </ul>
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Source: (McDonalds Corporation, 2015).

## Controls

The controls are the core principles that guide the operations of the company. They have been detailed as opposed to the strategies established by McDonald's.

Table 6.

Strategy	Explanation of the control
<b>Placement of advertisement</b>	The company will ensure that any of its advertisements placed in the media that targets children is aimed at giving them healthier options as established by the nutrition criteria for children.
<b>Product placement</b>	McDonald's will not pay for food or beverage products in any program targeting children who are less than 14 years of age.
<b>Adoption of products in interactive games</b>	The company will take into consideration the choice of healthy products targeting children below 14 years of age.

Source: (McDonalds Corporation, 2015)

# Conclusion



The current paper has covered the marketing plan of McDonald's. McDonald's has been presented as a major player in the fast food industry which has attained a competitive edge over other companies that also doing business in the industry. It has become popular among its customers and more so among children who have become one of the key target customers for the company. However, it faces a threat of expanding into other markets due to the fierce competition that it experiences from other companies in the industry. Nevertheless, it has adopted a number of strategies that if realized successfully will see it maintain its top position and also venture into the other markets that it seeks to operate in. The major areas that it seeks to improve include the achievement of fast service, continuance of the supply of quality food to its customers and fair pricing of its products. The company has also adopted an action plan that will see it adopt improvements in the way it carries out its advertisements so that children are not affected negatively.

