

FACULTY OF MANAGEMENT  
BQA7074 – QUANTITATIVE ANALYSIS  
***“MACDONALD”***

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## **Company Perspectives**

McDonald's is the world's leading food service organization. They generate more than \$40 billion in System wide sales. They operate over 30,000 restaurants in more than 100 countries on six continents. McDonald's have the benefits that come with scale and a strong financial position. They own one of the world's most recognized and respected brands. They have an unparalleled global infrastructure and competencies in restaurant operations, real estate, retailing, marketing and franchising. McDonald's are a leader in the area of social responsibility. They actively share our knowledge and expertise in food safety and are committed to protecting the environment for

future generations. Yet, McDonald's have not achieved their growth expectations for the past several years. So, their challenge is to leverage their strengths to profitably serve more customers more ways more often.

## Introduction

The business began in 1940, with a restaurant opened by Brother Richard and Maurice McDonald in San Bernardino California. Their introduction of the "Speedee Service System" in 1948 established the principles of the modern. Fast –food restaurant. The original mascot of McDonald's was a man with a chef's hat on top of a hamburger shaped head whose name was "Speedee." Speedee was eventually replaced with Ronald McDonald by 1967 when the company first filed a U.S. trademark on a clown shaped man having a puffed out costume legs. McDonald's first filed for a U.S. trademark on the name McDonald's on May 4, 1961, with the description "Drive-In Restaurant Services", which continues to be renewed through the end of December 2009.



“ Speedee”



“ Ronald”

The first McDonald's restaurants opened in the United States, Canada, Costa Rica, Panama, Japan, the Netherlands, Germany, Australia, France, El Salvador and Sweden, in order of openings .McDonald's restaurants are found in 119 countries and territories around the world and serve nearly 47 million customers each day. McDonald's operates over 31,000 restaurants worldwide, employing more than 1.5 million people. The company also operates other restaurant brand such as Piles Café. **1954:** Ray Kroc gains the rights to set up McDonald's restaurants in most of the country. **1955:** Kroc opens his first McDonald's restaurant in Des Plaines, Illinois; he incorporates his company as McDonald's Corporation. **1960:** The slogan, "Look for the Golden Arches," is used in an advertising campaign. **1961:** Kroc buys out the McDonald brothers for

\$2.7 million. **1963:** Ronald McDonald makes his debut. **1965:** McDonald's goes public **1967:** The company opens its first foreign restaurant in British Columbia, Canada. **1968:** The Big Mac is added to the menu.

**1973:** Breakfast items begin to appear on the menu, with the debut of the Egg McMuffin. **1974:** The first Ronald McDonald House opens in Philadelphia. **1975:** The first McDonald's drive-thru window appears. **1979:** The children's Happy Meal makes its debut. **1983:** Chicken McNuggets are introduced. **1985:** McDonald's becomes one of the 30 companies that make up the Dow Jones Industrial Average. **1998:** The company takes its first stake in another fast-food chain, buying a minority interest in Colorado-based Chipotle Mexican Grill. **1999:** Donatos Pizza Inc. is acquired. **2000:** McDonald's buys the bankrupt Boston Market chain. **2002:** Restructuring charges of \$853 million result in the firm's first quarterly loss since going public. **2003:** McDonald's sells Donatos in order to refocus on its core hamburger business

## **The marketing mix and market research**

Having identified its key audiences, a company has to ensure a marketing mix is created those appeals specifically to those people. The marketing mix is a term used to describe the four main marketing tools.



By analyzing detailed information about their customers, as derived from ongoing market research, the McDonald's marketing department can ascertain information key to determining the correct marketing mix:

- 1) Which products are well received?
- 2) What prices consumers are willing to pay?
- 3) What TV programmes, newspapers and advertising consumers read and view
- 4) Which restaurants are visited?

Accurate research is essential in creating the right marketing mix which will help to win customer loyalty and increase sales. As the economy and social attitudes change, so do buying patterns. McDonald's needs to identify whether the number of target customers is growing or shrinking and whether their buying habits will change in the future.

A marketing strategy must be created in order to determine the means by which a set of clear objectives may be met. Objectives communicate what marketers want to achieve, guide

marketing actions and are used to measure how well a plan is working. They can be related to market share, sales, reaching the target audience and creating awareness in the marketplace. Long-term objectives are broken down into shorter-term measurable targets, which McDonald's uses as milestones along the way. Results can be analysed regularly to see whether objectives are being met. This type of feedback allows the company to change plans and allows flexibility. Once marketing objectives have been established, the next stage is to define how they will be achieved. The marketing strategy is the statement of how objectives will be delivered. It explains what marketing actions and resources will be used and how they will work together.

## **The 4 P's**

### **i) PRODUCT**

The important thing to remember when offering menu items to potential customers is that there is a huge amount of choice available to those potential customers with regard to how and where they spend their money. Therefore McDonald's places considerable emphasis on developing a menu which customers want. Market research establishes exactly what this is. However, customers' requirements change over time. What is fashionable and attractive today may be discarded tomorrow. Marketing continuously monitors customers' preferences. In order to meet these changes, McDonald's has introduced new products and phased out old ones over time, and will continue to do so. Care is taken not to adversely affect the sales of an existing option by introducing a new option which will cannibalise its sales (trade off). McDonald's knows that sales of products on its menu will vary at different points in their life cycle as is illustrated on the graph to the right. The type of marketing undertaken and the resources invested will be different depending on the stage a product has reached. For example, the launch of a new product will typically involve television and other advertising support. At any time a company will have a portfolio of products, each in a different stage of its cycle. Some of McDonald's options are growing in popularity while arguably the Big Mac is at the 'maturity' stage.

### **ii) PRICE**

The customer's perception of value is an important determinant of the price charged. Customers draw their own mental picture of what a product is worth. A product is more than a physical item; it also has psychological connotations for the customer. The danger of using low price as a marketing tool is that the customer may feel that a low price is indicative of compromised quality. It is important when deciding on the price to be fully aware of the brand and its integrity. A further potentially adverse consequence of price reduction is that competitors match the lower prices resulting in no extra demand. This means the profit margin has been reduced without increasing the sales.

### iii) PROMOTION

The promotions aspect of the marketing mix covers all types of marketing communications. One of the methods employed is advertising, sometimes known as 'above the line' activity. Advertising is conducted on TV, radio, in cinema, online, using poster sites and in the press for example in newspapers and magazines.

What distinguishes advertising from other marketing communications is that media owners are paid before the advertiser can take space in the medium. Other promotional methods include sales promotions, point of sale display, merchandising, direct mail, telemarketing, exhibitions, seminars, loyalty schemes, door drops, demonstrations, etc.

The skill in marketing communications is to develop a campaign which uses several of these methods in a way that provides the most effective results. For example, TV advertising makes people aware of a food item and press advertising provides more detail. This may be supported by in-store promotions to get people to try the product and a collectable promotional device to encourage them to keep on buying the item.

It is imperative that the messages communicated support each other and do not confuse customers. A thorough understanding of what the brand represents is the key to a consistent message. The purpose of most marketing communications is to move the target audience to some type of action. This may be to buy the product, visit a restaurant, recommend the choice to a friend or increase purchases of the menu item. Key objectives of advertising are to make people aware of an item, feel positive about it and remember it. The more McDonald's knows about the people it is serving, the more it is able to communicate messages which appeal to them.

Messages should gain customers' attention and keep their interest. The next stage is to get them to want what is offered. Showing the benefits which they will obtain by taking action is usually sufficient. The right messages must be targeted at the right audience, using the right media. For example, to reach a single professional woman with income above a certain level, it may be better to take an advertisement in Cosmopolitan than Woman's Own. To advertise to mothers with families, it may be more effective to take advertising space in cinemas during Disney films. The right media depends on who the viewers, readers or listeners are and how closely they resemble the target audience.

#### iv) PLACE

Place, as an element of the marketing mix, is not just about the physical location or distribution points for products. It encompasses the management of a range of processes involved in bringing products to the end consumer.

At the end once the marketing strategy is in place, various responsibilities are given to different individuals so that the plan can be implemented. Systems are put in place to obtain market feedback which measure success against short-term targets. McDonald's has to ensure that this is done within the confines of a tightly controlled, finite marketing budget.

## **Marketing at McDonald's**

### Meeting the needs of key audiences

There are a limited number of customers in the market. To build long-term business, it is essential to retain people once they have become customers. Customers are not all the same. Market research identifies different types of customers. For example:

- A parent with two children
- Children
- A business customer

- Teenagers

These examples represent just a few of McDonald's possible customer profiles. Each has different reasons for coming to McDonald's. Using this type of information McDonald's can tailor communication to the needs of specific groups. It is their needs that determine the type of products and services offered, prices charged, promotions created and where restaurants are located. In order to create a marketing strategy that will enable the needs of the key market to be met, the strengths and weaknesses of the organisation must first be identified and analysed.

The analysis will examine the following parts of the company's business:

- The company's products and how appropriate they are for the future
- The quality of employees and how well trained they are to offer the best service to customers
- The systems and how well they function in providing customer satisfaction e.g. marketing databases and restaurant systems
- The financial resources available for marketing. Once the strengths and weaknesses are determined, they are combined with the opportunities and threats in the market place. This is known as SWOT analysis - strengths, weaknesses, opportunities, threats. The business can then determine what it needs to do in order to increase its chances of marketing successfully.

## **Market research**

Market research is used to find out what targeted customers want. It needs to identify the size of its market and whether it is growing or declining. It helps McDonald's to provide products that can compete effectively. Market research looks at external factors like economic, legal, technological and social changes and assesses how these might affect the market. It also looks at psychological factors for buying, such as image, enjoyment and other additional benefits that McDonald's food can give a customer. Branding helps to establish this image and underline these benefits. Market research also identifies the different types of customer and their needs. McDonald's can then use this information to make decisions, such as location or menu changes.



## **MSN used to push McDonald's to children**

Health campaigners have warned that fast food giants are increasingly turning to the internet to circumvent moves designed to curb advertising aimed at children.

A deal between McDonald's and Microsoft to produce a branded version of the popular MSN Messenger program containing advertisements for special offers at the hamburger chain has prompted complaints from consumer groups and MPs. They claim the so-called Theme Pack pushes junk food advertising to young people when Britain is struggling to deal with childhood obesity. They are also concerned that advertisers are turning to the internet and mobile phones to reach beyond parental controls to target children.

"We are concerned about the way that foods high in fat, sugar and salt are marketed to children," said Michelle Smyth of Which?, the consumer watchdog. "The McDonald's deal with MSN Messenger shows that those ways are becoming ever more imaginative and innovative."

A McDonald's spokeswoman said that the company was not the only advertiser to use instant messaging. She said: "We are one of a significant number of companies offering Theme Packs on MSN. The Theme Packs are intentionally developed on an 'opt in' basis, where the user must deliberately select the icon themselves."

The popularity of instant messaging has given rise to the term spam, a close relative of unwanted email spam. Unscrupulous advertisers have begun using the medium, often disguising their marketing messages as genuine conversations from strangers.

"I think other people will attempt to use new media to reach audiences," said Michael Nutley, the editor of New Media Age magazine. "If you're targeting young people, online is an obvious way to do it. But there has been a lot of movement recently to start applying the offline rules to online - regulators are finding that they have to look more at this stuff, because people are complaining about it."

## **Product policy**

McDonald's restaurants are found in 119 countries and territories around the world and serve nearly 47 million customers each day. McDonald's operates over 31,000 restaurants worldwide, employing more than 1.5 million people. The company owned a majority stake in Chipotle Mexican Grill until completing its divestment in October 2006. Until December 2003, it also owned Donatos Pizza. On August 27, 2007, McDonald's sold Boston Market to Sun Capital Partners.

## Types of restaurants:

McDonald's restaurants offer both counter service and drive-through service, with indoor and sometimes outdoor seating. Drive-Thru, Auto-Mac, Pay and Drive, or McDrive as it is known in many countries, often has separate stations for placing, paying for, and picking up orders, though the latter two steps are frequently combined; it was first introduced in Arizona in 1975, following the lead of other fast-food chains. In some countries "McDrive" locations near highways offer no counter service or seating. In contrast, locations in high-density city neighborhoods often omit drive-through service. There are also a few locations, located mostly in downtown districts, that offer Walk-Thru service in place of Drive-Thru.

Especially themed restaurants also exist, such as the "Solid Gold McDonald's," a 1950s rock-and-roll themed restaurant. In Victoria, British Columbia, there is also a McDonald's with a 24 carat (100%) gold chandelier and similar light fixtures. To accommodate the current trend for high quality coffee and the popularity of coffee shops in general, McDonald's introduced McCafés. The **McCafé** concept is a café-style accompaniment to McDonald's restaurants in the style of Starbucks. McCafé is a concept of McDonald's Australia, starting with Melbourne in 1993. Today, most McDonald's in Australia have McCafés located within the existing McDonald's restaurant. In Tasmania there are McCafés in every store, with the rest of the states quickly following suit. After upgrading to the new McCafe look and feel, some Australian stores have noticed up to a 60% increase in sales. As of the end of 2003 there were over 600 McCafés worldwide.

Some locations are connected to gas stations/convenience stores, while others called McDonald's Express have limited seating and/or menu or may be located in a shopping mall.

Other McDonald's are located in Wal-Mart stores. McStop is a location targeted at truckers and travelers which may have services found at truck stops.

## Playgrounds:

Some McDonald's in suburban areas and certain cities feature large indoor or outdoor playgrounds, called "McDonald's Play Place" (if indoors) or "Play land" (outdoors)<sup>[citation needed]</sup>. The first Play Place with the familiar crawl-tube design with ball pits and slides was introduced in 1987 in the USA, with many more being constructed soon after. Some PlayPlace playgrounds have been renovated into "R Gym" areas.

"R Gyms" are in-restaurant play area that features interactive game zones designed for children aged 4 to 11. Equipped with stationary bicycles attached to video games, dance pads, basketball hoops, monkey bars, an obstacle course, and other games which emphasize physical activity.

The "R Gym" features the Toddler Zone, an active play environment with age appropriate games that develop physical coordination and social skills; the Active Zone, designed for children aged four-to-eight that promotes physical fitness through fun play; the Sports Zone which features a series of sport oriented activities to promote aerobic exercise for children aged 9-to-11; the Parent Zone which features seating and provides a monitoring area for their children; and the Dining Area which allows families to eat

## Redesign:

In 2006, McDonald's introduced its "Forever Young" brand by redesigning all of their restaurants, the first major redesign since the 1970s. The new design will include the traditional McDonald's yellow and red colors, but the red will be muted to terra cotta, the yellow will turn golden for a more "sunny" look, and olive and sage green will be added. To warm up their look, the restaurants will have less plastic and more brick and wood, with modern hanging lights to produce a softer glow. Contemporary art or framed photographs will hang on the walls. The

exterior will have golden awnings and a "swish brow" instead of the traditional double-slanted roof. The new restaurants will feature areas:

- The "linger" zone will offer armchairs, sofas, and Wi-Fi connections.
- The "grab and go" zone will feature tall counters with bar stools for customers who eat alone; Plasma TVs will offer them news and weather reports.
- The "flexible" zone will be targeted toward families and will have booths featuring fabric cushions with colorful patterns and flexible seating.
- Different music targeted to each zone.

- **Products:**



- A McDonald's Big Mac combo meal served with French fries and Coca-Cola. McDonald's predominantly sells hamburgers, various types of chicken sandwiches and products, French fries, soft drinks, breakfast items, and desserts. In most markets, McDonald's offers salads and vegetarian items, wraps and other localized fare. Portugal is the only country with McDonald's restaurants serving 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).

## Customer Perception and Customer Expectation:

Customer perception is a key factor affecting a product's success. Many potentially revolutionary products have failed simply because of their inability to build a healthy perception about themselves in the customers' minds. McDonalds being an internationally renowned brand brings with it certain expectations for the customers.

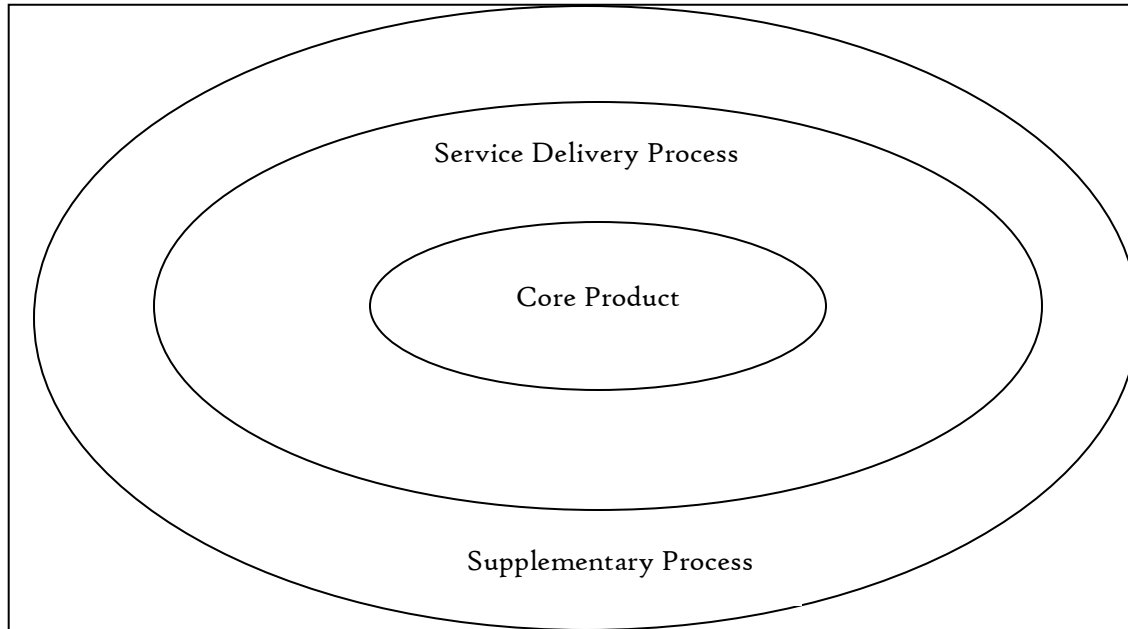
<b>Target Segment</b>	<b>What is McDonald's for me?</b>
A Family with children	A treat to children, a fun place to be for the children.
Urban customer on the move	Great taste, quick service without affecting the work schedule
Teenager	Hangout with friends, but keep it affordable.

Customers expect it to be an ambient, hygienic and a little sophisticated brand that respects their values. The customer's expect the brand to enhance their self-image. Customer responses obtained at the Vile Parle, Mumbai outlet confirmed the fact that they connect strongly with the brand. However, fulfilling some of the customer expectations like a broader product variety provide McDonald's a great scope for improvement.

### The McDonald's Experience:

Marketing in a services industry is becoming an increasingly complex challenge. The paradigms of service marketing demand a passionate understanding of customer expectations and perceptions, and linking them to product design & delivery as well as operational planning. This is where McDonald's has excelled due to its ability to successfully integrate the customer's perspective in its products and operations in a comprehensive manner. The revamped menu in India is an example of McDonald's strategy of integrating the customer's perspective in its products. And, the operational integration is evident from McDonald's emphasis on its suppliers as its customers as well as its treatment of its consumers as co-producers of services.

The ultimate aim of Service Marketing is not just to become a Service Leader but to create a Service Brand. The Service Delivery Process is the key to achieving this aim of Service Marketing.



During the Service Delivery Process, each moment of interaction between the firm and the customer, called “**Moments of Truth**”, helps understand the opportunities that a firm has to win or lose the customer. For example, these “moments of truth” are created for McDonald’s every time the guard at the McDonald’s outlet meets the customer, every time an attendant takes down the order from the customer waiting in the queue, every time the cashier interacts with the customer, every time the attendant helps the customer guided the customer towards the table, every time the attendant cleans the table, etc.

Managing these “moments of truth” is a great challenge in Service Marketing especially due to customer’s involvement as a co-producer of services (e.g. McDonald’s self-service concept wherein the customer not only collects the order but also cleans the table after consuming the food). However, McDonald's has been able to create a great experience for its customers by understanding the nature of the entire Service Delivery Process and the various stages in the process that are exposed to the customers. Transparency in the processes at its outlet has helped McDonald’s bring the back office in its outlet at the front so that the customer is able to know the operations and provide feedback on service design improvements.

Internal Customer Focus is equally important as External Customer Orientation in order to win these “moments of truth”. McDonald’s focus on its People and their service delivery methods therefore plays a very important role in creating a successful Service Brand. The quality and the consistency of the service delivered by McDonald’s have been greatly enhanced by the combination of the factors mentioned above. This has helped McDonald’s become Service Leader and a successful Service Brand. This is evident from the fact that very few of its customers opt for take-home parcels or home deliveries while most of them prefer to eat at the outlet and enjoy the McDonald’s experience.

McDonald’s serves a range of high-quality foods that can fit into a balanced diet. We believe that accurate and accessible nutrition information help guests make informed menu choices. It’s why we have provided this information for more than 30 years. The links below will provide you with tools and information to help you make choices that are right for you and your lifestyle.

- Choose/Customize a menu item - Choose a McDonald's menu item to learn about the item's nutrition facts, ingredients, food exchanges and food allergen information. You also may customize menu items that display components and get recalculated Nutrition Facts.
- Nutrition facts - We provide a nutrition analysis of our menu items to help you balance your McDonald's meal with other foods you eat.
- Food exchanges - McDonald's provides food exchanges for our popular menu items to assist our customers with meal planning for diabetes and weight control.
- Happy Meals - We provide a nutrition analysis of our kids meals to help you choose foods that best meet your child's nutrition needs.
- Mighty Kids Meals - To learn more about how Mighty Kids Meals contribute to your child's recommended daily intake for key nutrients.

Food Allergies – For people concerned about food allergies, we have consolidated all allergen information into an ingredient statement for each menu item - providing one current source of information. Please check these statements regularly as ingredients in menu items may change.

- **Surviving the 1980s "Burger Wars":**
- In the late 1970s competition from other hamburger chains such as Burger King and Wendy's began to intensify. Experts believed that the fast-food industry had gotten as big as it ever would, so the companies began to battle fiercely for market share. A period of aggressive advertising campaigns and price slashing in the early 1980s became known as the "burger wars." Burger King suggested that customers "have it their way"; Wendy's offered itself as the "fresh alternative" and asked of other restaurants, "where's the beef?" But McDonald's sales and market share continued to grow. Consumers seemed to like the taste and consistency of McDonald's best.
- During the 1980s McDonald's further diversified its menu to suit changing consumer tastes. Chicken McNuggets were introduced in 1983, and by the end of the year McDonald's was the second largest retailer of chicken in the world. In 1987 ready-to-eat salads were introduced to lure more health-conscious consumers. The 1980s were the fastest-paced decade yet. Efficiency, combined with an expanded menu, continued to draw customers. McDonald's, already entrenched in the suburbs, began to focus on urban centers and introduced new architectural styles. Although McDonald's restaurants no longer looked identical, the company made sure food quality and service remained constant.
- Despite experts' claims that the fast-food industry was saturated, McDonald's continued to expand. The first generation raised on restaurant food had grown up. Eating out had become a habit rather than a break in the routine, and McDonald's relentless marketing continued to improve sales. Innovative promotions, such as the "when the U.S. wins, you win" giveaways during the Olympic Games in 1988, were a huge success. In 1982 Michael R. Quinlan became president of McDonald's Corporation and Fred Turner became chairman. Quinlan, who took over as CEO in 1987, had started at McDonald's in the mailroom in 1963, and gradually worked his way up. The first McDonald's CEO to hold an M.B.A. degree, Quinlan was regarded by his colleagues as a shrewd competitor. In his first year as CEO the company opened 600 new restaurants.
- McDonald's growth in the United States was mirrored by its stunning growth abroad. By 1991, 37 percent of system wide sales came from restaurants outside the United States. McDonald's opened its first foreign restaurant in British Columbia, Canada, in

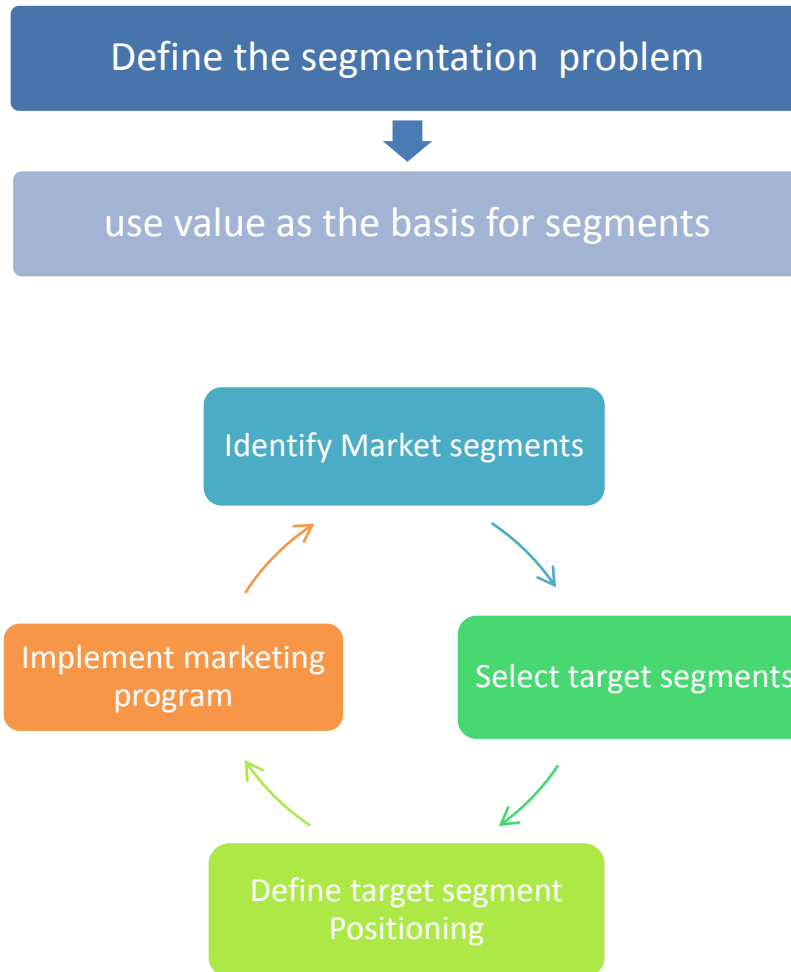


1967. By the early 1990s the company had established itself in 58 foreign countries and operated more than 3,600 restaurants outside the United States, through wholly owned subsidiaries, joint ventures, and franchise agreements. Its strongest foreign markets were Japan, Canada, Germany, Great Britain, Australia, and France.

- In the mid-1980s, McDonald's, like other traditional employers of teenagers, was faced with a shortage of labor in the United States. The company met this challenge by being the first to entice retirees back into the workforce. McDonald's placed great emphasis on effective training. It opened its Hamburger University in 1961 to train franchisees and corporate decision-makers. By 1990, more than 40,000 people had received "Bachelor of Hamburgerology" degrees from the 80-acre Oak Brook, Illinois, facility. The corporation opened a Hamburger University in Tokyo in 1971, in Munich in 1975, and in London in 1982. Braille menus were first introduced in 1979, and picture menus in 1988. In March 1992 Braille and picture menus were reintroduced to acknowledge the 37 million Americans with vision, speech, or hearing impairments.
- Quinlan continued to experiment with new technology and to research new markets to keep McDonald's in front of its competition. Clamshell fryers, which cooked both sides of a hamburger simultaneously, were tested. New locations such as hospitals and military bases were tapped as sites for new restaurants. In response to the increase in microwave oven usage, McDonald's, whose name is the single most advertised brand name in the world, stepped up advertising and promotional expenditures stressing that its taste was superior to quick-packaged foods.
- Mc Recycle USA began in 1990 and included a commitment to purchase at least \$100 million worth of recycled products annually for use in construction, remodeling, and equipping restaurants. Chairs, table bases, table tops, eating counters, table columns, waste receptacles, corrugated cartons, packaging, and washroom tissue were all made from recycled products. McDonald's worked with the U.S. Environmental Defense Fund to develop a comprehensive solid waste reduction program. Wrapping burgers in paper rather than plastic led to a 90 percent reduction in the wrapping material waste stream.

## McDonald market segmentation in Malaysia:

All international company around world for segmentation following this process



The process of dividing the world market into distinct of customers that behave in the same way or have similar needs, each subset may conceivably be chosen as market target to be researched with a distinctive marketing strategy, the process begins with a basis of segmentation a product specific factor that reflects differences in customers' requirements or responsiveness to marketing variables. There are different segments they are:

- Geographic segmentations
- Demographic segmentation
- Psychographic segmentation
- Behavior segmentation
- Benefit segmentation

By analyzing and researching the McDonald market analyzers behavior in Malaysia we found that how they segmented the McDonalds restaurant in Malaysia.

### **McDonald Geographic segmentation in Malaysia:**

Geographic segmentation is dividing the Malaysia into geographic subsets. The advantage of geography is proximity. McDonald Company in Malaysia doesn't use this kind of segmentation in most part of the Malaysia. We can found easily this different between Sarawak and Selangor states in Malaysia. Sarawak stats by 124,449 (km.<sup>2</sup>) have less McDonald restaurants than Selangor state 7,910(km.<sup>2</sup>)

### **McDonald demographic segmentation in Malaysia:**

Demographic segmentation is based on measurable characteristics of population such as age, gender, income, education and occupation. A number of demographic trends aging, population, fewer children more women working outside the home and higher income and living standards for most consumer and industrial products, national income is single most important segmentation variable and indicator of market potential.

The analyzer team in Malaysia use demographic segmentation more than the other type of the segmentation. Selangor state by 3,947,527 populations has most McDonald restaurant in all Malaysia. After Selangor, Johor by 2,565,701 and Sarawak by 2,012,616 populations are in next steps. McDonald's also uses demographic segmentation strategy with age as the parameter. The main target segments are children, youth and the young urban family. Another demographic segmentation for open the McDonalds restaurant in Malaysia is demand of the costumer on demographic are for example we can find two McDonalds restaurant in the Midvally city megamall because of the high customer demand in this part of Kuala lumpier.

### **McDonald Psychographic segmentation in Malaysia:**

Psychographic segmentation involves grouping people in terms of their attitude, values and life style. Data are obtained from questionnaires that require respondents to indicate the extent to which they agree or disagree with a series of statement. We define the questionnaire form and ask Multimedia university student to answer the form to understand attitudes, beliefs, values, lifestyles, opinions, personalities of the McDonalds customer as you can see in the next part.

### **McDonald Behavior segmentation in Malaysia:**

It focuses on whether people buy and use a product as well as how often and how much they use it. Consumers can be categorized in terms of usage rates like heavy, medium, light and nonuser.

This kind of segmentation is not useful for Malaysian market because favorite taste in all Malaysia is spicy and the company should follow the taste of customer.

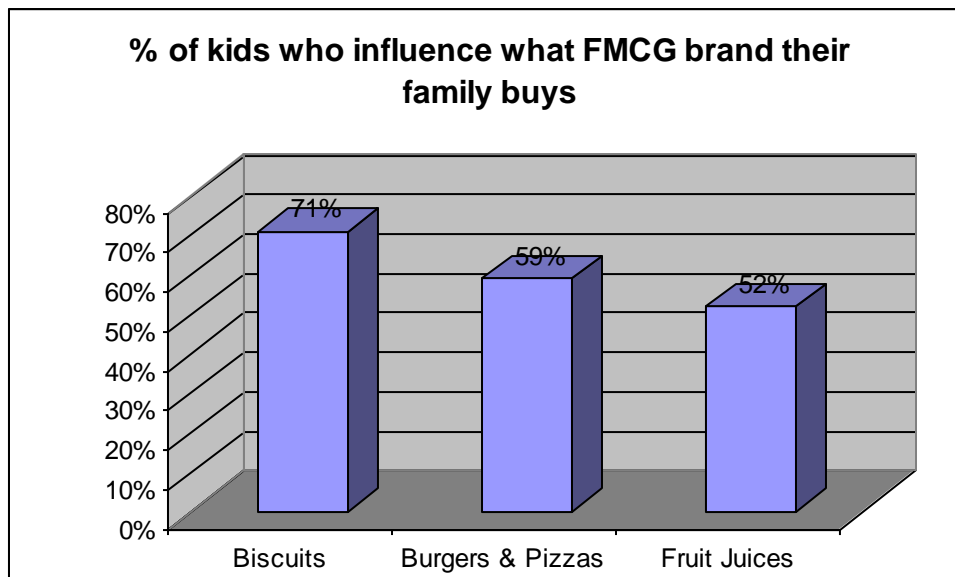
### McDonald Benefit segmentation in Malaysia:

It focuses on the number of value equation that is  $V=B/P$

Where this approach can be achieve excellent results by virtue of markets superior understanding of the problem a product solves or benefit it offers, regardless of geographic. The McDonalds team in Malaysia focus in this type of the segmentation and got many profit for company.

Segmentation, Targeting and Positioning:

McDonald's uses demographic segmentation strategy with age as the parameter. The main target segments are children, youth and the young urban family.



As shown above, kids reign supreme in FMCG purchase related to food products. So to attract children McDonalds has Happy Meal with which toys ranging from hot wheels to various Walt Disney characters are given (the latest in this range is the toys of the movie Madagascar). For this, they have a tie-up with Walt Disney. At several outlets, it also provides special facilities like 'Play Place' where children can play arcade games, air hockey, etc. This strategy is aimed at making McDonald's a fun place to eat. This also helps McDonald's to attract the young urban families wanting to spend some quality time while their children have fun at the outlet. To target the teenagers, McDonald's has priced several products aggressively, keeping in mind the price sensitivity of this target customer. In addition, facilities like Wi-Fi are also provided to attract students to the outlets like the one at Vile Parle in Mumbai

## **What is Branding?**

Actually the method that American Marketing Association (AMA) defines to differentiate and identify the service of a seller or a group of sellers defines as brand which can be a name, term, sign, symbol or design, or maybe a combination of them.

Hence it seems to be reasonable to get this point that branding is not just focusing on market to win in the competition, but it is also getting your chances to see you as the only one that provides a solution to their problem.

Like many other things the strategies in branding should be dynamic because it is a need to be up to date and changing from time to time to supply the new demands. McDonald's is one of the companies which tries to be as much dynamic as it can in its strategies. A Wi-Fi look is the method that this company is using to get more popular among youths.

### **Objectives of Mc Donald's Brand Strategy**

- Trying to attract more customers
- Re-creating its brand image
- Emphasizing more on the value aspect of the consumer
- Add more items in its menus

### **Widening Customer Base**

As a matter of fact McDonalds is getting a luxuries fast-food which only the people in a good economical condition can afford it, Thus it would be a problem for this company and so McDonalds is trying to attract more people by offering:

- Low priced food
- Providing an environment where a person could chill out with his/her family.

- For instance McDonalds in India is providing ice-creams with an acceptable price of ten rupees for the people with low incomes and the results was that a group of people within this class were started to spend their time with their family in these joints.

### **Stress on the Value aspect of Consumer**

Recently in India McDonalds has started a new advertising campaign named as “value-for-money promise” which offers foods with relatively low price ,By using this strategy it absorbs a large number of people with middle and low incomes which itself is a huge market in the developing countries.

### **Expansion of food Items**

Another strategy of McDonalds is to expand its food menu and also including salads, skimmed milk and sliced apples. This expansion is mainly because of the women and children to supply their special needs.

### **Brand Strategy**

As it is mentioned in Business Week magazine, marketing without a brand strategy is a waste of money. Mr. MacDonald also has the same aspect about it. So it is clear that the classic training in brand strategy is not that much useful and should be changed to a dynamic one. McDonald’s goal is to promote its marketing to a higher level compared to traditional expectations by means of client engagement. He believes that the rational connection to a brand is not the only factor which a costumer would be attracted by ,the main thing is the emotional connections which will decide to purchase the items. A new tool to elevate the marketing status of a company as Mr. MacDonald believes is to use the social media like magazines. By using this tool the great brands can enter into the marketing campaigns on a tactical level

Mr. MacDonald as an expert in management and ownership knows how to behave to gain more profit from his market. And off course it is his senior level talent and focused thinking which

made a creative marketer and business expert out of him. All these together will cause a high quality product with a reasonable cost based on client engagement strategy.

### **Re-branding**

McDonald's stores were to be given new interiors, new staff uniforms and packaging and also new items in menu at an operational level. Furthermore in UK a golden question mark now replaced the Golden Arches explained by the tagline "McDonald's. But not as you know it". But changing the things which listed above cannot be the alternative alone, thus McDonald's developed a new global marketing strategy. They want to focus more on teens rather than children, Hence they asked Justin Timberlake a global pop star to sing it's new "I'm Lovin' it" as the McDonald's ad in the global youth campaign and also speaking about four areas: music, sport, fashion and entertainment by Tony Hawks a skater legend to attract more youths.

## **McDonald's position in market and between customers**

Positioning helps every business to establish their products or services within the mind of customer and it's the view of the consumers to organization. It makes the specific role in beginning and future of any businesses even smallest. As we know Macdonald's is the world largest chain of hamburger fast food restaurant .At one time it was the largest global restaurant chain but it has been surpassed by multi brand such as (kfc, burger king and subway). MacDonalD's such as other success brand in the market considered the common positioning factors: price –level of service –geography –quality of your service –target market. MacDonalD's by applying these important points try to be leader in the fast food market .In fact finding target market at first and following the other factors like price by supporting the quality of products help the producer be success in market and captivate the customer .Macdonald was clearly targeting families ,kids and the youth market .Today the sign of MacDonalD's with the yellow and red color imagine the burger with the quality , less price and appropriate location for kids to playing .other fast food restaurant that may be became such as competitor in this market like burger king using their marketing and advertising to win back young males and teens from

McDonalds and Wendys is also using a healthier more flexible menu to target health conscious adults who want the convenience of fast food.

Macdonalds keep itself in good condition by considering 4ps (price, promotion ,place ,product ).The price that Macdonalds offering just getting small portion of family income ,it means too people can enjoy with Macdonalds .about the Promotion and place ,they developed advertising that targeted kids ,sold franchises in urban areas located close to schools and family ,they also selecting the good location in each area to attracting more customer .The product that this business offering is food which is need for anybody .It is fast food by cheap price and good quality .Additionally ,economic ,legal and technological changes ,social factors and many other elements affect Macdonald's success in the market ,and take a good position in the market and mind of consumer .Aspect of product and services design to meet specific customer needs .

The Value that MacDonald's offer to make a good position in the mind of customer and market included:

- Delivery
- Quality and standardization
- Price
- Environment

## Delivery:

McDonald's management has always believed in being a leader in issues that affect their customer. This philosophy is obvious in McDonald's involvement in various community project considering education, health care ,medical research .These activities help the corporation to extend their image beyond fun and entertainment into social responsibility .MacDonald depend on the ability of their group to be able to prepare hot ,fresh food and to serve it to their customer within two minutes of the time they enter the restaurant .Therefore from the customer perception this is the value that McDonlad's offer to them and it cause for those of customer they are too busy and they want to spend less time in the restaurant they prefer going to MacDonald because of the this service and this customer value. To do this McDonald's engineering department has carefully designed the layout and equipment for its restaurant .An important component of



McDonald's operational strategy is to anticipate customer traffic and food selection based on a detailed analysis of sales history and trends and to use this information to prepare various menu items in the right quantities and at the right times in order to have the food ready for their customer when they arrive .

**McDonald's banks of quality, value and convenience:**

As a fast food company McDonald's is constantly implementing measure to its service quality and value of its product to stay ahead .McDonald's strive to keep the best quality ,standards and safety and applied all to its product . McDonald's intensively monitored and oversee their supply chain, including: 1)How crops are grown.2)How animals are treated.3)The respect shown for the environment .

**Food quality:**

Food quality standards begin with the elements that McDonald's use to prepare the favorite McDonald's products. McDonald's have internal standards and quality system called "McDonald's Agricultural Assurance Program "for agriculture products as beef ,chicken, dairy, and wheat. This system outlines standards for food quality, safety and sustainability .

**Food safety:**

For the McDonald's food safety is important and the safety policy of this company covers every stage in its operations from the production of raw materials to the serving of the food in restaurant .They examine by independent accredited examine companies annually.

**Price:**

McDonald's has a unique pricing strategy .AS we know anybody wants to serve fast food can enter in MacDonlad's branches without any anxious about the much bill pricing .It just take a small portion of income ."where there is a range of product or service the pricing reflect the benefits of parts of the range " for example you can order a two cheeseburger value meal that comes with a medium drink and fries for around 8 RM you can super size this meal to get a large drink and large fries for a little more money. Therefore this is the competitive advantage for Mcdonald's .It is a good strategy to make a value both for customer and company to increase the

sale and profit for the company and also increase the power of purchasing these product to anybody.

### What is McDonald's doing to help the environment?

McDonlad's is recognized as an environmental leader for its commitment and its actions ,to protect the environment for future generation .It recognize that its customers' quality of life tomorrow will be affected by its environment efforts today. McDonlad's has always been responsive to its customer and over the years has sought the advice of industry experts and the environmental community. Generally, about the internal environment of McDonald's, it known a toy has long been a very popular part of the happy meal experience for the kids. MacDonalad's is the number one fast food chain stores with a 40million customer visiting it per day .It has over 30,000branches in 120 countries .It derives 80%of its revenues from eight countries like Canada, Brazil, Germany , French ,Japan ,UK, Australia and US. The greatest strength was creating an image in the minds of the people and introducing them to the fast food culture .Delivery speed, customer care and cleanliness are the core strengths.

### **Repositioning:**

Occasionally a product or service need to be repositioned and alter because of changing customer tastes or poor sales .Repositioning involves changing the target market ,the differential advantage or both .We have some kind of repositioning such as image repositioning ,product repositioning ,tangible repositioning ,intangible repositioning .Image repositioning keeps the product and target market same but changes the image of the product .

**Image Repositioning:** keeps the product and the target market the same but changes the image of the product. E.g. Adidas brand created a street cred image needed to compete in the sports shoe market.

**Product Repositioning:** strategy involves modifying the product to make it more acceptable within its present target market. e.g. lager brand increased its alcohol content and the size of its can.

Intangible Repositioning: involves targeting a different market segment with the same product. E.g. a carbonated drink targeted at ill children was repositioned as a energy drink after learning that mothers were drinking it as a pick me up in the middle of the day.

Tangible Repositioning: is when both the product and target market are changed. e.g. auto manufacturers developing new vehicle for a new group of customers.

McDonald's also do some repositioning from the intangible repositioning .McDonald's Basuki Rakhmat Branch Surabaya in Indonesia has been doing repositioning with recommendation of the Head Office in Jakarta, McDonald's Basuki Rachmat Branch Surabaya has changed its market target from a family restaurant to a restaurant for young people .The repositioning in McDonald's Basuki Rakhmat Branch is also supported by its strategic location in the centre of Surabaya, and this place is suitable for young people especially those who belong to cars or motor cycle clubs.

## **QUESTIONARIE**

### **Question 2:**

Base on the research and data gathering from McDonalds consumers overall satisfaction of the meals and foods was on the average. Consumers think that they can offer foods with better quality.

Beside the overall satisfaction average of consumers will suggest MacDonald's to their friends as an average qualified restaurant. And they will re-purchase from MacDonald's in future.

Regarding in customer service McDonalds has a good position in consumer's mind. They believe McDonald's deliver satisfiable service to their customers.

At the end customers are more satisfy regard of value which is delivering by McDonald's.

### **Question 3:**

Macdonald restaurant compare to their competitor has the better place in terms of customer visiting. Most of the sample consumer in our research visiting MacDonald's one in a month

frequently. We cannot ignore a very important point which is, most of the local customers prefer KFC, because they prefer to have more chicken in the menu.

Macdonlad is also successful because of the price policy compare to other fast-food restaurant.

We all know about the Mac-value hour (12-3PM) everyday. Beside that Dominos pizza also offer some new sets to compete with their competitors.

### Question 5&7:

By gathering the data which we obtain from the distribution of questions more than half of the MaCDonlad's customers like to have fresh healthy food ,therefore they increasing pressure on MaCDonald 's to provide healthy options in menu. This help the company to make the new repositioning in the mind and heart of the customer rather than the fast food (greasy food) also MaCDonald's company can establish the new logo that reflex the healthy meaning with the green color . By attention to the statistics from the questioner 73% of the people have this idea that the MaCDonald's product (hamburger) is too unhealthy.

## Appendix



First of all we would like to heartily thank you for your participation in our research. We are Marketing students from MULTIMEDIA UNIVERSITY.

Our course research is about one of the most famous Fast-food restaurant in the world, MacDonald! We would really appreciate if you help us to complete our research by answering this questionnaire.

All the information gathered from the questionnaires will remain confidential.

Age 18-20  20-25  25-30  30-35  above 35

Gender Female  Male

1. Did you ever visit McDonald's?

Yes

No

2. Base on the scale please tick your rate of satisfaction:

	Extremely Dissatisfy	Dissatisfy	Neutral	Satisfy	Extremely Satisfy
Overall satisfaction					
Recommend McD to your friends					
Repurchase product from McD					
McD in regards to customer service					
McD in regards to value					

3. Please tick one cell for each brand:

	Once in a month	Once in 4 month	Twice a year	Once in few year	Never
McD					
KFC					
Pizza Hut					
Domino Pizza					

4. What factor do you consider when visiting McDonald's?

	Not important at all	Not important	Neutral	Important	Very Important
Product assortment					
Price					
Food quality					
Discount/ Coupons					
Nutrition					
Waiting Time					
Distance to MacDonal'd's					
Service					
Convenience					
Charity					

5. If the following item is to made available in McDonald's, please tick your preference:

	Not important at all	Not important	Neutral	Important	Very Important
Milk					
Yogurt					
Salad					
Vegetables					
Fruits					

6. Please rate your level of agreement with the following statements:

	Extremely Dissatisfy	Dissatisfy	Neutral	Satisfy	Extremely satisfy
I will visit McD again in near future					
McDonald's deserve my loyalty					
My loyalty to McD has grown stronger					
Promotional activities stimulate me to go to McD					
Compared to other fast-food McD is worse					
McD provide goo value-for-money					

7. Would you say that McDonald's products are healthy?

Yes

No

8. What do you think about this meal? Do you think it is same as the actual meal?

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