

McDonalds and starbucks



**ASSIGN
BUSTER**

McDonalds and Starbucks spend huge dollars developing their brand names and marketing initiatives domestically and internationally. How do you think McDonalds and Starbucks are able to establish their brands to fit local markets through architectural design of the stores, their e-commerce strategies and service to accommodate the local markets and culture? APU BUSN601 McDonalds: McDonalds is a longtime leader in the fast food business. Since its opening in 1954 it has seen tremendous growth to about 30, 000 plus restaurants and credit of serving about 43 million people in 100 different countries every day.

The success and strategies of the company are celebrated often in the world media. The company had to focus on their core values and develop strategies that help rebrand itself in the market. Continuous attention on the customer needs and their values is main strategy for resurgence as top fast food retailer. They spend huge money on advertising to promote their brand. Their advertising budget for year 2011 was almost in the vicinity of one billion dollars. McDonalds has been working on improving and maintaining its brand value since it has seen its profits decline especially from 1997 to 2002.

Brand value and marketing strategy: Revitalization the brand is the important work for the leadership. “ The focus is to improve the brand experience by increasing the power of the brand in the mind of the customer”. (Light. L, 2010). Brand revitalization is in direct relation with customer needs and demands. This led to emphasis on customer service. McDonald’s invested a great deal in market research studies which gave an idea of the constantly changing customer demands. This lead to the

introduction of several options in the menu including salads, chicken items, fruits and also discontinuing the super-size portions.

Introduction of drive thru is also a plus for the busy and in hurry customers who have no time to wait. Its launch of McCafe which serves premium coffee, cappuccino and various other drinks also is very well enticed by the customers. It also provides various menu options based on the cultural, social and religious values of the customers. One example is providing vegetarian menu items in India where beef is not consumed as part of a religious custom. With the basis of this customer inflow and positive financial outlook the company is also focusing on remodeling the stores to give soothing and better ambiance.

This includes changing furniture, wall colors, new air circulation systems and offering Wi-Fi. They even reconfigured the drive thru for more efficiency. This is helping in building an image of social place rather than a fast-food restaurant. McDonald's also take local customs and traditions into designing their stores so it is more appealing to the local customers. McDonalds invests heavily in e-commerce. This can be explained in different ways. Process enhancement and brand promotion. E-commerce is extensively used in terms of product and service communication, promoting culture and interacting with the customer.

Brand promotion is done through online advertising and social media. Focus on online media has been significant for McDonalds as it provides direct interaction with the customers. With this continuous focus on customer needs McDonalds is reinventing itself constantly. This leads to promising

brand value and image in customer which leads to increased profits.

Starbucks: Ever since Howard Shultz acquired Starbucks in 1984 it has become the biggest coffee chain in the world. The company has aimed at building coffeehouse culture in its stores. (“ Company timeline”, 2009).

In an interview Shultz said “ Coffee is the center of what we do, but it’s the experience we create in our stores and in our company” explaining the quality of coffee and the customer they are serving. Today Starbucks has about 20, 000 stores and is the world leader in coffee chain business. It is a Starbucks promise of “ third place” –a place to relax, indulge rejuvenate and enjoy (Hummon. D, 1991) distinguishes them from the competition. Brand value and marketing strategy: The initial approach of brand building for Starbucks is by enticing customers to visit their stores and enjoy the coffee.

It has gained from word of mouth and cup by cup from customers and very appealing storefronts. During this period the company put all her resources into store expansion as it has seen influx of customers into its stores.

Starbucks insisted on the customer experience on their visit to the stores. So they put great emphasis on store designs. The company came up unique design for their stores using touch stones colors- earth, water, air and fire that were supposed to evoke the coffee bean growth process. This in turn helped other designs such as round tables which give a casual feel to the customer.

All together the design elements of the stores were impossible to emulate for the competition. (Birchall. J, 2005). They have four design concepts. They used regionally inspired furniture and culturally relevant fabrics to give calm

and contemporary look for the past paced society. (“Store design”, 2012). E-commerce is a significant marketing tool in Starbucks strategy. It helps Starbucks in connecting with the customer. The company offers internet Wi-Fi in majority of its stores nationwide and even internationally. The Wi-Fi is an instant success at Starbucks as it is paying dividends already. Tedeschi, b, 2003). They have very active social network which helps the company to get direct input from the customers. This helps them design and develop products based on customers’ interests. It also helps in resolving customer issues and maintaining brand image. They also have a website that offers description of their in store products and also give access to reserve coffees which only available in select stores. However I would say there are not into the advanced use of e-commerce. They can also tap into in store digital content, mobile payments etc. to name a few. As mentioned earlier Starbucks strategy is all about focusing on customer experience. It relies heavily on the highest quality of their coffee beans. Starbucks is masterful at presenting their product. This is obvious in their products and store designs. Starbucks is the epitome of brand consciousness. Starbucks has a distinct and recognizable voice through which it allures clear identity and smart understanding of its customer’s needs, values and lifestyles. The main difference I have noticed between McDonalds and Starbucks is market positioning: The images of both these retailers are perceived very differently. Starbucks is a more like a sophisticated living room where customers could get coffee and read newspapers. On the other hand at McDonalds it is fluorescent lighting and plastic and vinyl booths where meals are served in billions. Different people of the society are associated with these two brands historically. However Starbucks pervaded many sections of the society not

only the small elite segment. McDonalds visitor presence remained the same.

The similarity is they both have an aggressive growth strategy international marketing approach. They have extensive chain of locations in several countries. Both companies take the culture and regional interests into serious consideration so they can customize the design, food menu and marketing before and after launching in those markets. During hay days both the companies were aggressively multiplying stores across the nation and across the world. But their rapid growth masked the problems that are crippling the business at one time. Starbucks learned from the woes of McDonalds.

I can site a few examples. Menu for today's health conscious customers: McDonalds is popular for their hamburgers and fries which are high calories foods. Their campaign in the 80s for kids' happy meal created troubles linked to increasing childhood obesity which made many parents irate. Starbucks learned from this mistake and worked to introduce healthy sandwiches in their menu though they have some high calories Frappuccino. Labor related issues: McDonalds was heavily criticized for exploiting young work force by using their desperation to the corporation's advantage.

Starbucks on the other hand is practicing socially responsible business philosophy. Starbucks offers health insurance even to part time employees. (Fellner. K, 2008, p 142) Environmental issues: McDonalds biggest environmental issue for critics was it waste and packaging. It also has other issues from the animal rights activists regarding the poor treatment and

slaughter of animals. Starbucks in turn buys and sells environmentally friendly products and has a history of promoting ethical credentials by conservation of tropical forests. (Birchall.

J, 2008) Brand diversification: Starbucks went a step ahead to really strengthen the brand value by diversifying into mass distribution of coffee and related products. Joint ventures with PepsiCo and Dreyers ice-cream was very successful in spreading the brand in mainstream markets which is not possible for McDonalds. Conclusion: By learning from their missteps and focusing on the changing trends of the customer and modifying their business strategies accordingly both McDonalds and Starbucks achieved their reputation as revered brands and as also as market leaders in their line of business.

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