

McDonald case study

[Business](#), [Company](#)



McDonald's: On a Customer-Focused Mission More than half a century ago, Ray Kroc, a 52-year-old salesman of milk-shake-mixing machines, set out on a mission to transform the way Americans eat. Kroc bought a chain of seven stores already existing for \$2.7 million. From the start, Kroc preached a motto of QSCV—quality, service, cleanliness, and value. These goals became mainstays in McDonald's customer-focused mission statement.

Applying these values, the company perfected the fast-food concept—delivering convenient, good-quality food at affordable prices. McDonald's grew quickly to become the world's largest fast-feeder. The fast-food giant's more than 32,000 restaurants worldwide now serve 60 million customers each day, racking up system-wide sales of more than \$79 billion annually. In the mid-1990s, however, McDonald's fortunes began to turn. The company appeared to fall out of touch with both its mission and its customers.

Americans were looking for fresher, better-tasting food and more contemporary atmospheres. They were also seeking healthier eating options. In a new age of health-conscious consumers and \$3 muffin and coffee at Starbucks, McDonald's seemed a bit out of step with the times. McDonald's was struggling to find its identity among its competitors and changing consumer tastes. The company careened from one failed idea to another. It tried to keep pace. None of these things worked.

However, McDonald's continued opening new restaurants at a ferocious pace, as many as 2,000 per year. The new stores helped sales, but customer service and cleanliness declined because the company couldn't hire and train good workers fast enough. Meanwhile, McDonald's increasingly became a target for animal-rights activists, environmentalists, and nutritionists, who

accused the chain of contributing to the nation's obesity epidemic with "super size" French fries and sodas as well as Happy Meals that lure kids with the reward of free toys.

Although McDonald's remained the world's most visited fast-food chain, sales growth slumped, and its market share fell by more than 3 percent between 1997 and 2003. In 2002, the company posted its first-ever quarterly loss. In early 2003, a troubled McDonald's announced a turnaround plan—what it now calls its "Plan to Win." At the heart of this plan was a new mission statement that refocused the company on its customers. The company's mission was changed from "being the world's best quick-service restaurant" to "being our customers' favorite place and way to eat.

The new plan centered on five basics of an exceptional customer experience: people, products, place, price, and promotion. Under the Plan to Win, the goal was to get "better, not just bigger." The company invested in improving the food, the service, the atmosphere, and marketing at existing outlets. McDonald's redecorated its restaurants with clean, simple, more-modern interiors and amenities such as live plants, wireless Internet access, and flat-screen TVs showing cable news.

Play areas in some new restaurants now feature video games and even stationary bicycles with video screens. To make the customer experience more convenient, McDonald's stores now open earlier to extend breakfast hours and stay open longer to serve late-night diners—more than one-third of McDonald's restaurants are now open 24 hours a day. Moreover, MacDonal added healthier options, such as Chicken McNuggets made with

white meat, a line of Snack Wraps, low-fat “ milk jugs,” apple slices, Premium Salads.

In 2008, when the stock market lost one-third of its value—the worst loss since the Great Depression— McDonald’s stock gained nearly 6 percent. Through 2010, as the economy and the restaurant industry as a whole continued to struggle, McDonald’s outperformed its competitors by a notable margin. QUESTIONS 1. What are the main environmental factors that affected MacDonal marketing strategy and way of doing business? 2. How MacDonal responded to the changing environment? (How these changes affected its marketing mix?)