

Strategies and
analysis of the
mcdonalds
corporation marketing
essay



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In today's world companies walk a very fine line of being either titans of the industry or yesterday's news. Toyota was a giant that looked like it could do no wrong and in an instant was embroiled in a major scandal that dropped them from the number one car company to third. The fast food industry is no different. Companies struggle to maintain a loyal following by being reliable, being trustworthy and providing value to the customers. In today's economic downturn many full service restaurants have started to lose business and some have closed up shop all together. Consumers are going back to the basics, not eating out as much and when they do it is at less expensive fast food restaurants. Even in these times of economic uncertainty some companies are expanding to take advantage of an opportunity to build their clientele. " Backed by deep pockets, Mickey D outlets have been able to spring for thousands of espresso machines, even as other chains hunker down with their old-fashioned coffeepots" (Caplan, 2008).

Companies with a market advantage have a leg up on its competition. McDonald's has been doing this with its menu for over 50 years. For the past 10 years they have invested heavily in information technology to help give them a different kind of advantage. During this modernization they have had ups and downs but have steadily pushed to make the changes necessary to help the bottom line. The systems in-place are now capable of collecting information on point-of-sale, supply chain, and quality assurance. They have also implemented wi-fi in the restaurants to compete with others offering these services. It is no longer just about the food, and anyone who doesn't change with the times will be left behind.

McDonald's Background

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Dick and Maurice McDonald started a small drive-in restaurant serving hot dogs, hamburgers, and barbecue in 1937 using carhops. The two were unhappy with the model and decided to overhaul the concept with faster service and a streamlined menu, 25 items down to 9 items. The brothers shifted to specializing in hamburgers. They did away with the carhop and opened service windows. Their greatest innovation was the re-design of the kitchen which created a food assembly line. This assembly line food could be prepared to order quickly and more efficiently. Business started out slow and in 1949 they added milk shakes and french fries. In 1954 the McDonald brothers were visited by Ray Kroc, a traveling salesman that sold Multi-mixer milk shake machines. This visit led to one of the greatest American business stories of all time.

Ray Kroc envisioned a chain of fast food owner operated franchises all over the United States. Using the system the McDonald brothers had created for the kitchen and maintaining a simple menu would lead to a tremendous model for profit. Ray Kroc pitched this idea to the McDonald brothers and convinced them this was a viable idea. In 1955 Ray Kroc opened his first McDonald's in Des Plaines, IL. During that same year he started the McDonald's Corporation. In 1961 Ray Kroc bought out the McDonald's brothers which included the exclusive rights to the McDonald's name, leaving the McDonald brothers to have to re-name their restaurants (" Ray Kroc: Burger Baron").

Kroc's dedication to building a brand name that consumers could trust led to 100 million hamburgers being sold by 1958 and McDonald's 100th restaurant opening in 1959. Always looking for ways to improve the brand and the <https://assignbuster.com/strategies-and-analysis-of-the-mcdonalds-corporation-marketing-essay/>

system McDonald's uses they needed a way to ensure standardization was understood by all employees. In 1961 Hamburger University was opened in Elk Grove Village, IL. Students would report to the basement of the McDonald's restaurant and learn the proper way to run a McDonald's kitchen. Hamburger University would train all restaurant managers, mid-managers, corporate employees and owner operators. This method of instruction would ensure that the people entrusted with promoting and working for the McDonald's brand understood the system at the lowest level. The owner/operators and managers were tasked with bringing this instruction back to their employees and training them to do things the McDonald's way. The instruction given at the Hamburger University is so extensive that it has actually been evaluated for formal college credit by the American Council of Education ("Hamburger University: McDonald's Center of Training Excellence").

Over the years owner/operators were given the opportunity to be involved in the creative process and brought to the company some of its best selling menu items such as the Big Mac and the Egg McMuffin. This ingenuity and ability of the corporate machine to listen to its customers and employees led to McDonald's success. In 1978 McDonalds opened its 5,000th restaurant in Kanagawa, Japan. The number of restaurants and menu items are always expanding and trying to keep pace with many of its competitors.

McDonald's Corporate Headquarters is located in Oak Brook, Illinois. They have also built a new Hamburger University on an 80 acre plot set in the woods in Oak Brook, Illinois. The dedication this company maintains to education has given them a great advantage over some of their biggest

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competitors. Currently Burger King, Taco bell, KFC, and Wendy's are some of those big competitors. McDonald's has also tried to broaden its horizons by purchasing other brands such as Boston Market and Chipotle, purchased in the 1990's.

The McDonald's franchise is one of the most coveted in the industry and it is not an opportunity afforded to everyone. McDonald's has a very specific and stringent policy on purchasing franchises. " An initial down payment is required when you purchase a new restaurant (40% of the total cost) or an existing restaurant (25% of the total cost). The down payment must come from non-borrowed personal resources, which include cash on hand; securities, bonds, and debentures; vested profit sharing (net of taxes); and business or real estate equity, exclusive of your personal residence" (" Purchasing Your Franchise"). After the down payment is secured the corporation identifies and ultimately decides where your restaurant will be located. The property is bought and the building is built and belongs to the McDonald's corporation. The franchise term is 20 years and requires the owner/operator to pay two monthly ongoing fees; a service fee, which currently is 4% of monthly sales and rent for the property and building. McDonald's currently has 30, 000 franchising stores in 119 countries and does not show any signs of slowing down.

SWOT Analysis

There are many internal and external factors that can influence how a company will achieve particular objectives. A SWOT analysis can provide information that is helpful in matching a company's resources and

capabilities to the competitive environment in which it operates. A SWOT analysis can determine the strengths, weaknesses, opportunities, and threats that a business could encounter when trying to meet these objectives. The strengths and weaknesses of a company are internal factors, while opportunities and threats are external factors. “ The primary purpose of the SWOT analysis is to identify and assign each significant factor, positive or negative, to one of the four categories, allowing an objective look at the business. The SWOT analysis will be a useful tool in developing and confirming the goals and marketing strategy (Berry, 2010).” A SWOT analysis can be particularly powerful because it can help uncover opportunities that a company is well positioned to develop. By understanding the weaknesses of a company, the company can manage and eliminate threats that would otherwise catch them unsuspectingly.

Strengths

Strengths are usually positive attributes that can be controlled that add value to the company. One of McDonald’s strengths is their strong global presence. McDonald’s restaurants can be found in major cities all over the world and profits keep rising. According to Gondo (2008), income growth in Europe, Asia-Pacific, the Middle East, and Africa was in the double digits in the second quarter of 2008 alone. McDonald’s also has strong brand recognition. Many people, no matter which county they live in, recognize the McDonald’s logo, which in itself generates many opportunities for the company. With the recognizable logo comes the branded menu. People hear a sandwich name, such as McChicken, and instantly know it is a McDonald’s item.

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Another of McDonald's strengths is the abundant measures taken to make the food as safe as possible for their customers. The hamburger meat used for sandwiches comes directly from a packing plant where the meat is inspected multiple times to make sure it is free of E. coli O157: H7, salmonella and coli form bacteria, according to Weise (2009), which is just one of the many safety measures taken. On top of the food safety measures McDonald's takes when processing meat, employees who work in a McDonald's restaurant are required to wash their hands every sixty minutes and whenever an employee moves from one task to another. All the safety measures that are required, from the ingredients to the employees, helps make McDonald's one of the best companies when it comes to food safety.

Weaknesses

Weaknesses are attributes that take away the company's ability to obtain or maintain a competitive edge in their current market. McDonald's has many free-standing restaurants located in the United States. This makes it difficult for the company to expand, therefore limiting their growth potential. In order for McDonald's to counter this weakness, many of their current locations have been remodeled with a more up-to-date feel in hopes of diminishing the weakness and expanding positive perception with customers. Another weakness McDonald's must take into consideration is the high employee turnover rate. Many of the employees are high school or college aged. These employees are only working while they are in school and will leave when a better opportunity comes to them. McDonald's must make their corporation more desirable for future employees and show that there is a way to advance, if they stay with the company.

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Opportunities

Opportunities are external attributes that allow the company to exist and grow. An opportunity for McDonald's is to keep up with their branded menu. McDonald's should continue to add new items to their menu that competitors do not have. McDonald's has been successful in the past when introducing new items. According to Allison (2009), when McDonald's introduced the McCafe, which included espresso counters inside some existing stores, Starbuck's shares started declining. Could this have been because Starbuck's was losing customers to McDonald's?

By creating new products or products to compete with competitors, such as Angus burgers and snack wraps, McDonald's is showing that they still have more ideas to entice customers to come eat at their restaurants, but they need to keep this trend going in order to continue growing. McDonald's also must look at opportunities to provide lower calorie and lower fat foods. Also McDonald's should consider using organic and/or allergen free foods. Another opportunity would be to invest in "green" food packaging. The environment is a growing concern among the people and if McDonald's can show they are taking every step possible to make their packaging more environmentally friendly, they may be able to attract more customers.

Threats

Threats are external attributes that are beyond the control of the company that could potentially put them at risk. The fast food industry is very competitive. McDonald's competitors are always looking for new ways to be a step ahead. With the competition offering more "dollar menu" or "value" <https://assignbuster.com/strategies-and-analysis-of-the-mcdonalds-corporation-marketing-essay/>

items, customers are looking at how to save money in these tough economic times. McDonald's also must contend with external factors, such as bomb threats. According to the article " Bomb threat closes McDonald's" (2010), a bomb threat at the Sedro-Woolley, Washington restaurant forced the store manger to close early, resulting in lost sales. External threats, such as these, happen more often than people realize and result in lost profits for McDonald's. Not only do they lose money from sales but also need to spend money on public relations to restore trust in customers that it is safe to come back to the restaurant where the incident occurred.

McDonald's must also contend with the bad press it receives because of its link to obesity. There is an increased concern that fast food, containing large amounts of fat and loads of calories, is making people around the world obese. McDonald's must continually put money into their public relation efforts in order to minimize the effects of these reports. McDonald's needs to constantly evaluate threats, opportunities, weaknesses, and strengths in order to remain as a strong competitor in the fast food market, while continuing to increase profits on a yearly basis.

IT Impact Map

When you think of McDonalds, you think of a fast food restaurant who offers the " Dollar Menu" and "\$1. 00 Southern Sweet Teas". Believe it or not, McDonalds excels in not just the food service but also in technology. Since the early 1990s, McDonalds was the first fast food chain to install touch screen computers for their front counters and drive-thru to be utilized as their registers. This milestone was phenomenal and allowed the servers of

McDonalds to input orders easier. With that said, this company has high core capabilities IT impact.

McDonalds has a high core capability due to the simple fact that they are constantly re-inventing the wheel. Recently in 2004, McDonalds decided to quickly deploy in more than 8, 000 stores worldwide, the cashless payment system. This system took a significant amount of time to implement but allowed stores to now accept debit, credit, and gift card transactions to be processed through the current POS system in under a remarkable 4 seconds. McDonalds also wanted to appear more marketable and offer something a little different than what their competitors could and/or would offer. To do this, McDonalds decided to offer a high-speed connectivity network via a Wi-Fi hotspot. Currently Wi-Fi is offered at nearly 3, 000 stores worldwide for a convenient price to their customers. McDonalds is all about keeping a competitive advantage and offering an array of new service which is why McDonalds is currently testing self-service ordering kiosks. This self-service ordering kiosk will resemble the self-service kiosks which airlines currently use at airports to allow customers to avoid the lines which can sometimes be long and cumbersome and overall ease of service. With this being said, McDonalds has a very high core competency because they provide an array of products and services to a wide variety of markets, contribute significantly to end-products and make it difficult for competitors to compete with.

With the discussion of core strategy and McDonalds, McDonalds has a high core strategy for their company. McDonalds's main focus is to improve customer service and McDonalds has been doing a great job of doing so with the innovations they continue to provide to their customers for faster and

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more convenient service provided throughout all of the restaurants worldwide. It is said that McDonalds has applied a strategic roadmap called “ Plan to Win” to achieve the brand mission of being “ the customer’s favorite place and way to eat”, says Dave Weick, McDonald’s senior vice president and chief information officer (“ McDonald’s Forward”, 2005).

The Plan to Win strategy has five focus areas that aid in McDonald’s technology deployment. The five focus areas are as follows: people, place, product, price and promotion. Weick’s states, “ Everything we set out to accomplish within McDonald’s is done with strategic intent and must ladder back to the mission of our Plan to Win in an effort to best satisfy our customers” (“ McDonald’s Forward”, 2005). To help deliver the Plan to Win strategy, McDonald’s created a Store Technology Board. This board is consists of corporate and franchisee representatives and the board is responsible for steering the development of technology in McDonald’s U. S. restaurants. The board also ensures that there is a timely, cost-effective delivery of high quality technology solutions.

With McDonald’s creating the Store Technology Board and the strategic roadmap, Plan to Win, the company is able to have a strong strategy throughout and this allows McDonalds to have a great core competency with emerging market opportunities, improving order accuracy, and efforts to advance technology.

McDonald’s has used IT for business transformation by changing the basis of competition since the early 1970s when they implemented the computerized point-of-sale systems that could track huge amounts of data in seconds from

the outdated old-fashioned cash registers. McDonald's is constantly thinking of ways to change the basis of competition for company growth and not only because of their competitors. IT has changed the nature of relationships worldwide with their marketing strategies. These marketing strategies include people, processes, situations, and technologies within the business enterprise. There has been a rise in personalized buying strategies; consumers who are well-informed and serious of marketing efforts; more congested retail and marketing communications environments; increased localization and micromarketing efforts; increase of quality management; and increased accountability.

In addition with increasing quality management and accountability, IT can also add value to existing products and services and create new ones. As mentioned previously, IT is currently testing self-service ordering kiosks and recently explored in house gaming systems in several restaurants to allow the customers, geared more towards school-aged children, to enjoy a game or two while eating their meals. McDonalds even recently had a major overhaul to redesign more than 25 percent of their restaurants to give loft-like ceilings, earth tone colored walls and seating, and exposed brick (“McDonald's Corporation, 2010”). McDonald's has grown as a fast food chain and has a very prosperous future ahead of them with the help of information technology.

Conclusion

The McDonald's Corporation is an innovative and ever evolving giant within their industry and the global market. Their ability to change to meet the

needs of its customers and corporate landscape will more than likely keep them very competitive for years. They will have some obstacles to overcome in the future however. Society is evolving and the bad press about obesity and unhealthy foods could haunt their future. McDonald's always has clientele, the amount of loyal customers will depend on their ability to meet the needs of the general public and their need to eat healthier and get healthier fast food. Society's move toward everything "green" may need to be looked at by the company as well. If McDonald's can prove to the public that it is onboard with being a healthier and more environmentally conscious part of society they may increase their market share over their competition.

Along with their sense of community McDonald's will need to continually update and innovate their processes and Information Technology to increase their productivity, efficiency and profitability while trying to decrease their waste, inefficient energy use and unhealthy menu options. McDonald's needs to continue to re-invent itself over and over again and if they can continue to do this the golden arches will be around for years to come.

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