

McDonald's Marketing Plan

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BUS 330: Principles of Marketing

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February 16, 2016

### **McDonald's Marketing Plan: Frie-day with Redbox**

McDonald's is the world's largest fast-food chain with over \$25 billion in annual sales and more than 35,000 retail locations in more than 100 countries (McDonald's Corporation, 2015).

#### **Core Products or Services**

Beyond the burgers, French fries and milkshakes that they have been selling since its founding, McDonald's sells a variety of wraps, salads, sandwiches and beverages - more than 200 items in all (The Economist, 2015). McDonald's locations are typically open for breakfast, lunch, dinner, and late night dining, and many feature drive thru service.

#### **A Brief History**

The first McDonald's restaurant was opened in 1948 by Richard and Maurice McDonald. It brought production-line techniques to the burger business and challenged the dominant carhop drive-in business model. Ray Kroc was one of the earliest franchisees and the key figure in the rapid expansion of the business after he bought out the McDonald brothers 1961. McDonald's became a public company in 1965 and opened its first international location in 1967. Sales and locations have continued to grow every year since.

#### **Key Current Competitors**

Historically, McDonald's primary competitors were identified to be the large fast food burger chains like Burger King and Wendy's. But given McDonald's size and the expansion of their menu, the competitive set must be viewed more broadly to include sandwich shops like Subway, other fast food concepts like Chick-fil-A, more upscale fast casual restaurants like Panera and Chipotle, as well as coffee shop chains like Starbucks and Dunkin' Donuts.

#### **SWOT Analysis**

A SWOT analysis is a strategic planning tool used to assess the strengths, weaknesses, opportunities, threats, and trend of an organization, company, project, plan, or venture.

## Strengths

**Anytime, anywhere convenience.** With over 14,000 locations in the U.S. alone, there's a McDonald's within a short drive of almost everyone and most are open from 6am to 11pm. The number of locations also means that McDonald's can purchase media nationally which is more cost efficient than buying locally.

**Brand equity.** As a result of its many locations, consistent brand experiences and hundreds of millions of dollars spent on marketing each year, McDonald's has developed a very strong brand. For example, they ranked 5th on BrandZ's 2014 most valuable global brand list (Rooney, 2014).

**The best French fries.** McDonald's French fries are universally loved-even by people who do not otherwise like McDonald's food. McDonald's fries were voted number one in a 2015 YouGov study (Peterson, 2015).

**Kid appeal.** McDonald's is a popular destination among younger kids. Many locations have indoor playgrounds and there are menu items such as Happy Meals which combine several kid-friendly food offerings in a fun box that includes a toy. The brand does a lot of advertising on kid-targeted programs and Ronald McDonald is a highly recognizable spokesperson.

**Inexpensive.** With its well-known dollar menu, McDonald's is perceived by most consumers as an inexpensive place to go for breakfast, lunch, dinner, or a between-meal snack.

## Weaknesses

**Menu bloat.** In their attempt to compete with a wide range of competitors, McDonald's menu has swollen to more than 200 items. This is driving down operational efficiency as it takes longer for consumers to order and longer for the food to be prepared. Franchisees also have to invest in additional kitchen equipment and training.

**Dining environment appeal.** Many McDonald's locations are outdated relative to chains

like Starbucks or Panera, which offer comfortable seating, amenities like fireplaces, and greater cleanliness. (Walton, 2015).

**Low customer satisfaction.** In a 2014 ACSI survey, McDonald's ranked last with a rating of 71%, some 7 points below competitors like Wendy's and Subway (Comoletti, 2014). The rating reflects factors such as order accuracy, food quality, staff courtesy and menu variety.

**Low employee wages.** McDonald's does not pay its restaurant workers what most would consider to be a "living wage" As a result, McDonald's does not always attract the highest quality employees and turnover can be high, resulting in a constant need for re-hiring and re-training.

### **Threats**

**Healthier eating trends.** While McDonald's menu does feature some healthier items like salads and wraps, they are still primarily associated with burgers, French fries, mass production, and processed food. As such, healthier eating trends represent a threat to McDonald's business.

**Aging of the population.** The percent of population in the United States over the age of 65 is growing from 10% in 1970 to a projected 20% by 2030 (Ortman, Velkoff, & Hogan, 2014). The aging of the population is a threat for a business whose core consumer franchise has historically been families with younger children.

**Rising social consciousness.** While McDonald's business or environmental practices have likely improved over time, the level of scrutiny surrounding the triple-bottom line and associated negative publicity has increased in recent years. Popular documentaries like *Super Size Me* and *Fast Food Nation* have not portrayed McDonald's food or its business practices in a positive light.

### **Opportunities**

**Positive childhood associations.** Regardless of people's current perceptions or level of satisfaction, most McDonald's consumers have fond childhood memories associated with the brand that can be potentially activated with the right messaging or product offerings. This creates

an opportunity with the next generation of parents.

**The prolonged U.S. economic recession.** The more people's budgets are pinched, the more they are apt to trade down to less expensive options like fast food. With its well-known dollar menu, McDonald's can benefit from a prolonged economic downturn.

**Growth in specialty coffee.** The percentage of Americans drinking specialty coffee in the US has more than doubled since 2009 (Ward, 2004) and teenagers are a particularly high growth segment. McDonald's McCafé specialty coffee product line should continue to benefit from this trend.

### **Marketing Plan Focus**

There is an opportunity to significantly grow the after-dinner snacking business (i.e., French fries and McCabe beverages) amongst teenagers and young adults. This is also a way to showcase updated facilities and amenities like Wi-Fi to customers who may not have visited McDonald's recently. It is important to re-establish brand liking with this age group prior to them having kids of their own. This will be the focus of the marketing plan.

### **Segmentation Approach**

A straightforward demographic approach to segmenting the market is appropriate for this marketing plan. A behavioral approach based on past purchase history as captured via use of the McDonald's app is also considered. However, the app was only introduced in late 2015 and age is not captured in the registration process (unless a social media log-in is used). Giving the broad appeal of the McDonald's concept and its national footprint, other demographics will be targeted.

### **Target Definition**

The target for the Frie-day Night with Redbox promotion are U.S. teens and young adults ranging from approximately 15 to 23. To the degree media targeting allows it, an interest in movies, fast food restaurants and coffeehouses would represent a further level of definition.

### **Positioning Statement**

For teenagers and young adults, Frie-day night with Redbox is a chance to hang with

friends and enjoy great fries, cool coffeehouse drinks, and a movie without draining the wallet.

### **Marketing Mix**

Marketing mix is a set of tools that firms utilizes to pursue their goals and objectives in satisfying the needs of their target audience.

### **Product**

This marketing plan focuses around two McDonald's product lines, French fries and McCafé beverages, which include specialty coffee drinks as well as smoothies. The core idea is to use the hook of America's favorite French fries (in the red box) to drive trial and awareness of high margin McCafé beverages (that might otherwise be bought at a Dunkin' Donuts or Starbucks) and kick-start an inexpensive, at-home social gathering occasion involving a Redbox movie (or video game) rental.

### **Price**

McDonald's everyday pricing strategy for its French fries can be defined as competitive relative to other fast food chains. In contrast, the pricing strategy for the McCafé line is better characterized as skimming relative to the specialty coffee houses from where they are trying to take business. For example, a large McDonald's Mocha Frappe is \$3.80, whereas a comparable Starbucks Mocha Frappuccino is \$5.54 (Bacic Media Group, LLC., n.d.).

As part of this marketing plan, on Friday (henceforth referred to as Frie-day) from 7:00 p.m. to 11:00 p.m. (or closing time, if later), all customers can upgrade from a small to a large McCafé smoothie, frappe, or espresso drink for free when they purchase a large order of fries. This represents a \$1 savings to the customer. The offer would be limited to Frie-day nights (at least initially) to create an air of urgency and specialness. The promotional pricing represents a deepening of the McCafé skimming strategy as well as an example of segmented pricing as well as peak-load (or in this case, off-peak) pricing, as this discount is only available on Friday nights after the peak dinner rush hour.

### **Promotion**

In addition to the promotional pricing deal discussed above, there would be a scratch-off game that would also involve the use of a mobile phone (perhaps to look up a code on a Frie-day night microsite). The mobile component is important as we want to reinforce the fact that McDonald's has Wi-Fi. Prizes would be things in red-boxes, namely free large fries, free Redbox movie rental nights, and a big prize like your own fully stocked Redbox unit or a special Arch (gift) Card that gets you free McDonald's French fries for life. Codes that are not instant winners could be translated into electronic punches via the McDonald's app and redeemed for free fries when a certain threshold was reached (e.g. six cards or by spelling the word 'Redbox').

Redbox is selected as a promotional partner because of the link to the McDonald's red french-fry box, but also because it is a good match with the low-cost image, has widespread distribution, high use by teens and young adults, and is related to the late night hang-out ritual that works well with McDonald's. Redbox would be willing to offer up free night promotional codes in exchange for the publicity the promotion would bring them.

As for the media, the plan is to leverage to promote Frie-day nights with Redbox and stay away from traditional mass media channels, despite McDonald's ability to buy such media cheaply. For this promotion to work, teenagers and young adults will need to feel it is for them. As the offer will be available to anyone, the "just for me" nature of the promotion will need to be achieved through the media channels used and the message execution. Promotional efforts to focus around targeting advertising on Facebook, YouTube and/or Instagram given its younger skew and highly visual nature.

Another effort is to explore whether there is possibly a way to license Rebecca Black's "Friday Night" song (or Katy Perry's "Last Friday Night"), as these would be a good conceptual fit.

In-store signage for a limited time of day and/or week promotion can be difficult to coordinate, but in this case, the limited presence of such materials (e.g., a counter card or drive-thru window sticker) would enhance the specialness of the promotion for the target.

### **Place**

The Frie-day night with Redbox promotion would occur at all participating McDonald's locations and would relate to in-store and drive-thru purchases on Friday nights. Redbox movie redemptions would happen at any of Redbox's 35,000+ U.S. locations which are typically found near grocery and convenience stores (Redbox Automated Retail, LLC, n.d.).

A dedicated McDonald's Frie-day night microsite is where customers could be directed to learn more about the promotion and check their prize codes. Integration with the McDonald's app might be a potential means of executing the "collect x codes, get free fries" aspect of this promotion (and encouraging additional downloads of the relatively new McDonald's app).

### **Potential Success Metrics**

There are a variety of metrics that could be potentially captured and analyzed to measure the effectiveness of this marketing plan. The most direct measures would be the growth in customer counts and dollar sales during the promotional window versus the previous period or year ago timeframe. As the promotion would only be offered on Frie-day nights, sales growth on other nights could be used for comparison. One might also monitor increases in social media followers, app downloads and counts of promotional codes entered (and other promotional microsite actions). Redbox could monitor rental counts and number of promotional codes redeemed to evaluate the success of their promotional participation.

### **International Considerations**

If this McDonald's Frie-day night marketing plan was to be translated for a foreign market, it would probably be a complete start-from-scratch scenario. First, the promotion would need a different name as the verbal link between Frie (as in French Fries) and Friday would not likely exist in most languages. Secondly, a different promotional partner would be needed as Redbox is strictly an American concept. Finally, the focus on coffee products might need to change in a country like China and India where coffee consumption versus, for example, tea is



much lower than in the U.S.

### **Conclusion**

The Frie-day night with Redbox marketing plan should be approved for funding because it will succeed in leveraging America's favorite French fries to drive increased trial of McCafé beverages by teens and young adults. It will also increase consideration of McDonald's as an evening snack destination and help cement the brand's association with Friday night movie get-togethers. It will also help build brand affinity amongst this future generation of parents.

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