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**Lecturer Name:** Mr. Clay

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**Student Name:** Mohammed Kamal Abdul Jawad

**Student ID:** 11015

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1. **Executive summary:**

McDonald’s was founded in 1948 offering 15 cents hamburgers in a “Speedee Service System” and the success led to franchising since then. Today, McDonald’s is not only one of the best fast food restaurants in the world, it is also one of the most recognized brands in the world. “McDonald’s “golden arches” are now more widely recognized than most religious symbols, and [boasts the highest brand value of any global quick service chain](https://www.statista.com/topics/1444/mcdonalds/)”(Levin, 2019).

McDonalds is in tough competition with international, national and local fast food chains. Some of the main competitors are Subway, Starbucks, KFC, Pizza Hut and Burger King. The company’s marketing and promotional activities are designed to promote the brand and differentiate the company from its competitors. The marketing and promotional efforts focus a lot on value, quality, speedy service, food taste, menu variety, nutrition, convenience and the customer experience. McDonalds is ranked first in terms of market capitalization around the world.

In its 2019 report, the company focused a lot on its “Velocity Growth Plan” through which it is confident it will continue to improve the taste of their delicious food, enhance convenience and service by leveraging technology, offer great value, and heighten the trust consumers place in our brand, which we believe will enable us to deliver long-term sustainable growth. (M. Ozan, 2020).

McDonald’s is currently in the market maturity stage in the product life cycle and it is trying to keep up its performance and defend its market share by retaining, regaining and converting customers. This is done through new menu items, offering compelling value and a fun, convenient experience. In addition to transforming the customer experience through aggressive execution of the growth accelerators; experience of the future (“EOTF”), digital and delivery.

McDonald’s also prioritizes social and environmental factors in its business process; working on gas emissions reductions, advancing in beef production process with suppliers and producers, implementing solutions for packaging and recycling, and commitments to support families and provide opportunities for youth in the communities. The Company’s number of employees worldwide, including its corporate and other office employees as well as Company-owned and operated restaurant employees, was approximately 205,000 as of year-end 2019 (M. Ozan, 2020). This is also apparent through support for Ronald McDonald House Charities.

In this report, I will be analyzing the company’s marketing strategies, SWOT, competition, segmentation, target market, market research and the company’s current status and growth strategy in the upcoming years. The report will also examine how McDonald’s can improve or at least keep up the pace of its sales and customer satisfaction performance.

1. **Brand Overview:**

McDonald’s was founded by Dick and Mac McDonald who first moved from New England to California looking for business opportunities. In 1948, they started their McDonald’s Speedee Service System introducing 15 cents hamburgers. The success of this idea led them to start franchising. Ray Kroc, who was an exclusive distributor of the multi-mixer (the milkshake mixing machine) became McDonald’s franchise agent in 1954. He opened his first restaurant in Illinois in 1955 and in 1961 he acquired the rights to the company for $ 2.7 million. His goal was to open 1000 restaurants in the U.S but the growth continued and he went global. Today, McDonald’s has over 37,000 restaurants in over 120 countries.

From day one, McDonald’s building designs were always attention catching. Their first design included the “golden arches” in 1953.

Today, McDonalds continues to change its external and internal designs to match existing architecture and customer needs yet always keeping their identity, the golden arches “M” in its designs and logos (History | McDonald's, 2019). “McDonald’s “golden arches” are now more widely recognized than most religious symbols, and [boasts the highest brand value of any global quick service chain](https://www.statista.com/topics/1444/mcdonalds/)”(Levin, 2019).

Now, McDonald's is also [one of the largest private employers](https://www.worldatlas.com/articles/the-world-s-largest-employers.html) and serves almost 70 million people worldwide. As of Mar. 31, 2020, the company had a market capitalization of $122.9 billion which makes it the top fast food chain. (Palmar, 2020). The Company’s number of employees worldwide, including its corporate and other office employees as well as Company-owned and operated restaurant employees, was approximately 205,000 as of year-end 2019. (M. Ozan, 2020). In terms of number of locations, McDonalds is in tough competition with Subway, Starbucks, KFC and Burger King. McDonalds exists in 37,241 locations, being second after subway having 42,431 locations (Levin, 2019).

All the above statistics and characteristics are of a company in the market maturity stage in the product life cycle. In this stage, the strong growth in sales is shrinking, competition with similar food chains like Burger King, Subway, KFC and others is more obvious. Yet, McDonalds has always been good at continuously build up their brand name by listening to their customers. Their objective at this stage is to keep up the performance to defend the market share and maximize profits. At this stage also, McDonald’s is enhancing the features of the products, providing competitive pricing and promotions and implementing other products in order to create a stiff competition for its competitors.

1. **Competition overview:**

The fast food industry is highly competitive. McDonald’s restaurants compete with international, regional and local fast food chains. Competition is based on many factors like price, accessibility, service, experience, menu diversity and quality. Some of McDonald’s main competitors include; KFC, Burger King, Pizza Hut, Subway, Starbucks, and Dominoes.

According to Investopedia, McDonald’s is the largest fast-food restaurant chain in the world, having presence in more than 37,000 locations in approximately 120 countries. McDonald's is also [one of the largest private employers](https://www.worldatlas.com/articles/the-world-s-largest-employers.html) and serves almost 70 million people worldwide. As of Mar. 31, 2020, the company had a market capitalization of $122.9 billion. For the 2019 fiscal year, McDonald's $6 billion on revenue of $21.1 billion. (Palmar, 2020).

According to data gathered by Euromonitor International which is a leading source of market data for the restaurant industry. The Company’s primary competition is in the IEO –informal eating out- segment. This includes: limited-service restaurants (which combines quick-service eating and 100% home delivery and takeaway), street kiosks, cafes/coffee shops, cafeterias and juice/smoothie bars. The IEO segment excludes restaurants that mainly serve alcohol and full service restaurants. Based on the most recent data from Euromonitor International, according to 2018 annual sales data, the global IEO segment was composed of approximately 9 million outlets and generated $1.2 trillion in sales. McDonald’s 2018 business accounted for 0.4% of those outlets and 8.2% of the sales. Euromonitor International also benchmarks McDonalds in the restaurant industry, according to 2018, global market was composed of approximately 20 million outlets and generated $2.7 trillion in annual sales. McDonald’s accounted for 0.2% of those outlets and 3.6% of total sales. (M. Ozan, 2020)

The company is currently in the market maturity stage in the product life cycle. In this stage, the strong growth in sales is shrinking, competition with similar food chains like Burger King, Subway, KFC and others is more obvious. Their objective at this stage is to keep up the performance to defend the market share and maximize profits. This are will be discussed in further detail in section 8 of the report.

1. **Target market:**

McDonald’s website states that the Company’s business is not dependent upon either a single customer or small group of customers. McDonald's aims to offer a friendly and fun environment for everyone. This means appealing to:

* Kids who love the Happy Meal, the play areas and the toys that are given away with the happy meals. McDonald’s also provides party rooms for birthday celebrations.
* Workers, business customers or anyone who wants to enjoy the fast service that will not affect their tight schedule by grabbing breakfast or other meals on-the-go.
* Teenagers who want to meet in a place with affordable and diversified menu items.
* Parents who want to enjoy a meal and give their kids a break.

The majority of McDonald’s campaigns are communicated to everyone to ensure they have a broad reach (FAQS | McDonald's UK, 2020). McDonald's runs marketing and advertising campaigns to make sure all types of customers are aware of the products offers and promotions. This is done through advertisements on TV, displayd, radio, billboards and online advertising.

1. **Segmentation:**

Geographic segmentation:

McDonald’s has grown to become the leading fast food chain in the world. It currently has more than 37000 restaurants in 120 countries and is available in almost every city. It is estimated that the company serves 70 million customers every day.

McDonald’s has also paid close attention to the cultures of markets in different geographical locations, for example: by providing McArabia option in the Middle East. In other areas of the world, in Germany for example a beer can be offered with adults as part of the meal.

Behavioral segmentation:

This segment includes the hardcore McDonald’s lovers, potential and regular fast food eaters, and cost/benefit/efficiency seekers.

Demographic segmentation:

Gender: McDonald’s targets both males and females.

Age: McDonald’s targets people of all age with special focus on children by offering play areas, kid’s meals, toys, party areas. Families are also targeted indirectly because when they take their kids to the restaurant, they would also order something for themselves in the process.

Occupation: Children, students, professionals and employees. Reachable through dine-in, drive thru, take away, and delivery.

Income: low and middle class families because of its affordable price and good value for money.

Psychographic segmentation:

McDonald’s has adapted to the lifestyle and convenience of its consumers as they change continuously. McDonald’s targets working and middle classes. It is available for people looking for convenience with a good quality and cost. McDonald’s can be accessible in many cities around the country. McDonald’s is also available for orders by using takeaway, drive thru, phone, and web and mobile applications.

1. **SWOT Analysis:**

Strengths:

* It is a global brand available in around 120 countries and is among the top fast food chains both internationally and nationally.
* It offers a diversified, affordable, quick service menu.
* It adjusts according to the culture of the place where it is located.
* The food is made hygienically and systematically manner therefore always looks and tastes the same.
* It has a very strong real estate portfolio with locations in different parts of the globe.
* It is available in almost every city and is easily accessible.
* It is available through dine in, drive through and orders through phone call, websites or mobile apps.
* It provides nutritional information to the consumers.

Weakness:

* Quality concerns due to franchised operations.
* High turnover and continuous training to new employees.
* Minimal focus on organic foods.
* Focus on fired foods and not many healthy options for customers

Opportunities:

* Existing product lines can be improved.
* Easy to adopt new product lines like adding healthy and organic foods.
* Open products up to allergen free options such as gluten free foods.
* Creating a more upscale appearance to attract higher class customers.
* Offer more interesting beverage options.

Threats:

* Health issues raised about the fast food industry.
* Emergence of many international and local fast food restaurants.
* Focus on healthier dieting by consumers.
* Down turn in economy affecting the ability to eat out as much.
* Customer awareness and changes to a more balanced meal including fruits and vegetables.
* Information technology system failures, or security breaches.

1. **Market research:**

Product: McDonald’s restaurants offer a uniform menu, with a few variations in different countries to suit local consumer preferences. For Example: McArabia which is offered only in the Middle East and beer offered in countries like Germany. McDonald’s also continuously adds items to their menu and removes phased out items to adapt to changes and customers’ expectations and help keep the sales going. The products offered by McDonalds include: Breakfast, beverages, burgers, chicken sandwiches, desserts, ice cream, milk shakes, salads, snacks and sides like fries, happy meal and McCafe drinks. In addition to these menu items, the restaurants sell a variety of other products during limited-time promotions.

McDonalds keeps introducing new product and the customers have a welcoming feel to the new product options. This is because McDonald’s is mature in the market and is trustworthy. McDonald’s customers have established the trust by regularly and routinely visiting the restaurant and therefore have no problems trying a new product. The equation is also important not to add too many new items at a time so the restaurant keeps its identity and signature products.

McDonald’s packaging includes containers, cups, wraps, bags for food, beverages, napkins, and cup carriers, most of which having McDonald’s logo, picture of products in the package or ads for other products offered. McDonald’s also plans to use recyclable materials for all packaging by the year 2025. (Packaging and Recycling | McDonald's, 2020)

The products are offered with good services in McDonald’s includes delicious food, quick service, cleanliness, convenience, play areas and birthday party arrangement for kids. All of which creates a good ambience and environment to which customers want to return.

Price: The customer’s perception of value is an important factor of the price charged. Customers make their own picture of what a product is worth. It is dangerous to set a high price, it is also of equal danger of using low price as a marketing tool because the customer may feel that quality is being compromised. McDonald’s pricing of is set to lower the fight over competition. Prices are not too low to the extent that quality is questionable and not high that it will lose competition in terms of price. McDonald’s uses the bundle pricing strategy through which it offers meals and other product bundles for prices that are discounted compared to purchasing each item separately. For example, customers can purchase burger, fries and drink at the price of ordering a sandwich and drink separately.

Promotion: The promotions aspect of the marketing mix covers all types of marketing communications. McDonald’s products are being promoted on TV, radio, in cinemas, street banners, newspapers, social media platforms, newspapers and magazines. McDonald’s also has in-store promotions. At McDonalds, children is a main target customer, this is apparent in happy meals which also offer small toys along with the meal. McDonalds also has paper mats on trays ensure that no new scheme goes unnoticed. One of their promotional and branding campaigns. “I’m loving’ it” is an international campaign which was launched in 2003 and has proved to be a big success. McDonald’s also provides sales promotions on some of its products.

Place: McDonald’s outlets are very evenly spread throughout the cities making them very accessible. Drive in and drive through options make McDonald’s products further convenient to the consumers. According to Investopedia, McDonald’s is the largest fast-food restaurant chain in the world, having presence in more than 37,000 locations in approximately 120 countries (Palmar, 2020). As an element of the marketing mix, is not just about the physical location which McDonald’s is clearly in control greatly through its intensive distribution. McDonald’s also distributes its products through kiosks at events or digitally through mobile apps and websites.

1. **Conclusions:**

As explained throughout the report, McDonald’s is in the maturity stage in the product life cycle. The company will continue to improve and defends its position in the market. McDonald’s has summarized its plan to do so in its “Velocity Growth Plan” which is a customer centric growth strategy. As per McDonald’s 2019 reports, the company will keep implementing ideas that meet customers' changing needs and preferences and will continually build on its competitive advantages of geographic diversification, yet keeping locally-relevant experiences for customers. This will be achieved through extensive customer research along with understanding of the key business drivers. The Plan is designed to achieve increase in sales and customers growth thus increasing shareholder value. In 2020, the Company will continue to focus on improving customer experience by improving its restaurants and creating excitement around our food and offers and by using technology for better customer experience. The strategy is built on the following three columns:

* Retaining existing customers by focusing on areas where it already has a strong position including taste and quality, convenience and speedy service, family and kid’s occasions, value for money, and excitement around food.
* Regaining customers who visit less often by recommitting to the same areas of strength.
* Converting casual to committed customers by building stronger relationships with customers so they visit more often. This is done by using the McCafe coffee brand and enhancing snack offerings so customers can visit for reasons other than just having a meal.

The Company also continues to improve the Plan using the below growth accelerators:

* Experience of the Future. Investing on restaurant modernization in order to improve the restaurant service experience and enhance the brand for the customers which will in turn lead to increased frequency of customer visits.
* Digital. The Company is improving its existing service model with customers through digitalization and technology. The Company is expanding choices for how customers order, pay and are served their food. The Company now has a global mobile app, self-order kiosks, outdoor digital menu boards in drive thru, and other technologies that provide convenience for the customer offering customers a better experience and increasing sales. The Company is also planning to expand its technological capabilities further via the acquisition of Apprente which is a leader in conversational technology. This technology is expected to provide more friendly and accurate ordering in the drive-thru.
* Delivery. The Company’s delivery facility is another way it provides the convenience for its customers. In 2019, McDonald’s continued to add third-party delivery partners in order to maximize the System’s delivery like Carriage and Talabat. McDonald’s global delivery business has grown to over $4 billion in sales in 2019, up from $1 billion in 2016.

By following these guidelines, according to their 2019 report, McDonald’s expects Systemwide sales growth of 3% to 5%, Operating margin in the mid-40% range, Earnings per share growth in the high-single digits, and Return on incremental invested capital in the mid-20% range.

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