A Marketing Plan for McDonald's Restaurant

by

Mr. Wattapong Nabhirong

A Final Report of the Three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
In Computer and Engineering Management
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Project Title	A Marketing Plan for McDonald's Restaurant
Name	Mr. Wattapong Nabhirong
Project Advisor	Dr. Thanatphong Pratheepthaweephon
Academic Year	July 2004

The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

Approval Committee:

T. Pratheepthaweephon
(Dr. Thanatphong Pratheepthaweephon)
Advisor

(Prof.Dr. Srisakdi Charmonman)
Chairman

(Dr. Chamnong J ng4hirapanich)
Dean and Co-advisor

(Assoc.Prof. Somchai Thayarnyong)
CHE Representative

July 2004

ABSTRACT

The major change in the past few years is consumers' attitude toward their health and toward what is known as "junk food," of which fast food is part of in the consumers' mind. Because of the impact of a new health-conscious paradigm in people's way of thinking, there is a need to show the consumers quickly that McDonald's is adapting itself and changing its values to better reflect what the consumers feel is important.

The McDonald's corporation was reviewed in this project, and an analysis was made regarding the internal and external factors that v, ere relevant to the company and to the market situation. Afterwards, there was development of new marketing strategies for both long-term and short-term periods based on research methodology, survey, and collective data. This study aims to find out what a company can do when consumers thinking of their health more than in the past and also other related parts in marketing mix factors, SWOT analysis and environmental forces.

The company can develop new healthier choices for its menus. such as burgers with whole-wheat bread slices or healthier cuts of meat. More varied menu choices, such as fish or chicken breast burgers, could also be implemented. Different processes in preparing the food could also be used to result in healthier versions of foods — for example, French fries could be fried using oil that has lower cholesterol content.

These new additions and choices would enable McDonald's to fight the image of being "junk food" — the company can point towards its innovations with food and talk about how it has been changing its procedures and methods in order to keep up with the changing priorities as well as through its care for the consumers.

ACKNOWLEDGEMENTS

The author is indebted to the following people and organizations. Without them, this project would not have been possible.

The author wishes to express sincere gratitude to his advisor Dr. Thanatphong Pratheepthaweephon, Assumption University and Dr. Chamnong Jungthirapanich. Dean. Faculty of Computer and Engineering Management, Assumption University, for their guidance, meaningful consultations. comments, and constant encouragement that have led the author from the beginning of this project to the completion of the project.

Special appreciation is due to all friends especially Mr.Akerat Yailaibang, Ms.Tarin Tiyavacharapong and Ms.Luckana Anantachot who helped, supported and encouraged the author to complete this project.

Above all, the author would like to express his gratitude to his parents whose willingness to invest in his future has enabled the author to achieve his educational goal. They always understand. support, and constantly encourage the author in whatever way the author does to complete his studies.

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TABLE OF CONTENTS

I. INTRODUCTION

One of the purposes of the project is to analyze the company of McDonald's, therefore, included in this chapter is the company's background, as well as the, objectives and the scope of the project.

1.1 Company Background

McDonald's (http://www.mcdonalds.com) is the world's leading food service retailer with more than 30,000 local McDonald's restaurants serving 47 million consumers each day in more than 100 countries. More than 70 percent of McDonald's restaurants around the world are owned and operated by independent, local businessmen and women.

The Company History

The founder of the McDonald's franchise, Raymond Albert Kroc (1902-1984), was a salesman who mortgaged his home and invested his entire life savings to become the exclusive distributor of a five-spindled milk shake maker called the Multimixer. Hearing about the McDonald's hamburger stand in California running eight Multimixers at a time, he packed up his car and headed West in 1954, when he was 52 years old.

At Dick and Mac McDonald's Restaurant in San Bernardino, California, Ray Kroc had never seen so many people served so quickly when he pulled up to take a look. Seizing the day, he pitched the idea of opening up several restaurants to the brothers Dick and Mac McDonald, convinced that he could sell eight of his Multimixers to each and every one.

Ray Kroc opened the first restaurant in Des Plaines, Illinois in 1955. The first day's revenues were 5366.12. Although at present it is no longer a functioning restaurant, the Des Plaines building is now a museum containing McDonald's memorabilia and artifacts, including the Multimixer.

Company Mascot

In 1963, the happy clown Ronald McDonald was created and appeared in his first television commercial. Now "the smile known around the world" of Ronald McDonald is second only to Santa Claus in terms of recognition.

Stock Exchange

In 1965 McDonald's went public with the company's first offering on the stock exchange. A hundred shares of stock costing 52.250 dollars that day would have multiplied into 74,360 shares today, worth over 52.8 million on December 31. 1998. In 1985 McDonald's was added to the 30-company Dow Jones Industrial Average.

Food Innovations

Introducing the system widely in 1968. the Big Mac was the brainchild of Jim Delligatti, one of Ray Kroc's earliest franchisees, who by the late 1960s operated a dozen stores in Pittsburgh. Since 1979 the Happy Meal has been making kids visits that much more special, which includes Happy Meal toys and boxes that have become collectibles.

McDonald's On the Worldwide Web

Forty three years after opening the company's first restaurant in Des Plaines. Illinois, McDonald's are proud to come to you on the World Wide Web, where it receives millions of hits every week.

Restaurant Franchising

McDonald's has always been a franchising Company and has relied on its franchisees to play a major role in its success. McDonald's remains committed to franchising as a predominant way of doing business. Approximately 70% of

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McDonald's worldwide restaurant businesses are owned and operated by independent businessmen and women, the company's franchisees.

From its inception in 1955, McDonald's continues to be recognized as a premier franchising company around the world. Perhaps the fact that McDonald's management listens so carefully to its franchisees has something to do with McDonald's being perennially named as Entrepreneur Magazine's number one franchise.

A Partnering Relationship

The McDonald's franchising system is built on the premise that the Corporation can be successful only if the company's franchisees are successful first. The company believes in a partnering relationship with its owners / operators, suppliers and employees. Success for McDonald's Corporation flows from the success of its business partners.

The company's selection of prospective candidates is based on an assessment of overall business experience and personal qualifications. It looks for individuals with good "common business sense", a demonstrated ability to effectively lead and develop people, and a history of previous success in business and life endeavors. A restaurant background is not necessary, but the company franchises only to individuals, not to corporations, partnerships. or passive investors.

An Equal Opportunity Franchiser

McDonald's is, by choice, an equal opportunity franchiser, with a proven track record of franchising to all segments of society. In the U.S., minorities and women currently represent over 34% of the company's franchisees and 70% of all applicants in training.

1.2 Objectives

(1) To analyze current situation of McDonald's by SWOT and competitor analysis

(2) To analyze existing marketing plans

(3) To develop new marketing plans for both long-term and short-term

1.3 Scope

The scope of this project would be to analyze the situational factors of McDonald's and come up with some Marketing Plans as well as recommendations for the compriv to act upon.

H. LITERATURE REVIEW

Various literatures were reviewed for a rounded knowledge of marketing-based issues. These included such things as:

2.1 Marketing Mix

The marketing mix, a concept central to modern marketing, has been defined (Kotler, 1999) as 'a set of controllable marketing variables that the firm blends to produce the response it wants in the target market.' The marketing mix has traditionally been considered to consist of four components. known as the '4Ps.' This classification was first introduced in the 1960s and has remained in popular use since then. This section will discuss the four parts of the marketing mix and how each can be modified for today's changing marketplace. The four parts are product, promotion, place, and price.

Product

The term 'product' refers to the specific things companies do or make. It includes company artwork, company performances. and company repertoire. It is the film shown in a cinema, the music performed at a rock concert. the paintings. crafts. sculptures, and textiles; for restaurants, it is the food and the service given to consumers. There are a number of things to think about in relation to company products. What existing market demand or consumer needs do they meet? Are there plenty of options or alternatives for people to consider? What is the quality level of company products? What are the features of company work that make it special or unique? Is the company product a fairly established one (such as classical music performances). or is it a fairly new or growing area (for example, cyber-art)?

Effective product strategies for a restaurant may include concentrating on a small and narrow menu, developing a highly specialized product containing an unusual amount of service (Folkes, 2001).

Because of the increasing variety sought by consumers, many menus have undergone revisions within the last few years. By changing product lines to include healthy choices such as baked, not fried, and alternative choices such as vegetarian, vegan, and gluten-free, restaurants can target consumers with special diet restrictions or preferences. Also, fun and now ways of eating foods are emerging to provide more variety and convenience as well. For example, many menus now include wraps, which are hand-held and can be consumed on-the-go (Hedden, 1997).

One way to incorporate more multicultural foods is to add new flavors to sauces or seasoning packs (Folkes, 2001). This offers an inexpensive way to test the market with different flavor mixes without an overhaul of the menu. As new flavors become popular, whole entrees can be based around the flavor mixes while still incorporating classical ingredients and larger portions (Mills, 2000). This way, people have greater options without the fear of trying completely new things.

The product component may also be manipulated to be tailored towards some of today's biggest spenders: consumers under the age of eighteen. Offering kid-friendly portions; fun. brightly-colored meals; and incentives such as toys included in the meal, should stimulate more business from younger consumers (Mills, 2000).

Core product

Products are divided into several types. The most important is the company core product — another technical term for what a company does. If companies are musicians, it is music that companies play, if companies are artists it is artwork they create. If companies are members of a theatre or dance company, it is plays or dance programs the group performs.

Extras

Obviously a company core product is very, very important. But there are also other subsidiary things that can have a big impact on the company's success. In fact. sometimes these 'extras are the difference between success and failure. For a theatre company it includes all the additional things that happened before, during and after the performance. such as the programs, the food and drink available, the quality of sound, the lighting, comfort Of the seats, the souvenir CD recordings and the merchandise sold.

While the core product of a gallery is its art collection, it is the building, the book and souvenir shop, the café, the education programs, the friendliness and knowledge of guides and the exhibition catalogues that support the core product. In this way, too, a festivals key events — its core product — are supported by the general entertainment, the amenities, security, and the timing of the program.

Presentation

For art and craft work it includes the packaging — the frame on the picture, the boxes in which purchases are packed. the way in which the items are displayed.

Many arts practitioners have learned that the presentation is almost as important as the product itself. Packaging not only protects company products. it also serves as an advertisement, and can offer consumers information. Notes on how to care for the item can be included, as can information on the background of a piece, which can make it more interesting and enjoyable.

Personalization or individualization of products can increase their sales potential. Generally speaking_ people are willing to pay more for unique experiences or 'one of a kind' items. limited editions_ or numbered prints. When considering a company product, also think in terms of product changes or improvements — and think not just in terms of a company core product, but all those subsidiary things, as well. Some people buy products for utility, some for convenience, some for decoration. Some people attend performances to be entertained. Some want to see something new. Others prefer to revisit something familiar and comfortable, or see something traditional interpreted in a new way. Or they seek to be challenged, or educated or amused. And some people go along to be seen, to be with friends. or to do what they think others are doing — so they'll be able to talk about the same things. It is necessary to understand the link between the company products and the company market.

At this point, the researcher needs to restate something impL3rtant: *a product is an item which has been produced to be sold.* It is developed and put in the marketplace to be purchased and used — or owned and enjoyed — by someone else.

Price

Price is the key element to the marketing mix because it represents on a unit basis what the company receives for the product or service which is being marketed. When looking into pricing, the marketer needs to look into their discount strategy and give allowance in some transactions. Price in marketing does not consider only the final price of the product or service alone but it includes discount and payment method as well so the price; for restaurants, prices include the price of food and whether there is a service charge, and any discounts or promotions.

Determining price levels and/or pricing policies (including credit policy) is the major factor affecting total revenue (Folkes, 2001). Generally, higher prices mean lower volume and vice-versa, however, small businesses can often command higher prices due to the personalized service they can offer. In today's restaurant environment. value ranks as one of the most desired attributes (Mills 2000).

Example of pricing options

Flexible pricing — means setting different prices for the same 'product', according to consumers' willingness to pay. For example, a company can charge more for seats in the front rows, or in the first few rows of the balcony than for seats at the back of the theatre. It can also charge more for Saturday night performances than for Wednesday matinees, for weekends than weeknights, during holiday periods, on opening and closing nights, and for performances on major holidays. A company can also offer student prices, special prices for children during school holidays, etc.

Discounting — encourages purchases at particular times or in quantity. A company may offer a discount for season tickets, or discounts for people who buy 'space available' tickets at the door immediately before the start of the performance. It can offer discounts to people who book and pay well in advance, or for people who attend rehearsals rather than full performances.

Value adding — in some ways the opposite of discounting, this is a strategy where a company provides something extra for consumers who pay the normal price, such as a lecture before a performance, a complimentary program, or coffee or tea at the interval.

Product packages — offers a combination of products and services: for example. valet parking. complimentary champagne at intervals and a program at a premium price. Usually the price should be slightly less than it would cost the person to buy each element separately. If valet parking is $15, champagne is $6, the program is $12 and the ticket price for the performance is $50 (a total of $83), the company could sell a 'theatre package' for $80. (The advantage to the company is that not everyone who comes will use valet parking, buy champagne and a program; by encouraging the package deal. the company increases company sales in these areas.) An art gallery could use packages to enhance a special exhibition; for example, packaging admission to the exhibition with a lecture by the curator, a catalogue, and wine and cheese in the member's lounge (which would also be an ideal time to promote membership).

Competitive pricing — requires that a company know what competition is charging. But it is a mistake to assume that if the competition has decided on a certain price they must know what they are doing, and if a company follows suit it should be right.

Place

Place involves decisions concerning the distribution channels and their management, the locations of outlets, methods of transportation and inventory levels to be held. The objective is to ensure that products and services are available in the proper qualities at the right time and place.

Knowing where to make the compan:.' products or performances available is also important. Issues to consider include:

(1) Location:

(a) type of area

(b) transport and parking

(c) public safety

(d) accessibility (for company identified markets)

(2) Premises:

(a) age/state of repair

(b) character

(c) facilities (for performances)

(d) amenities (for audiences)

(e) cleanliness

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(f) maintenance

(g) security

(h) disabled access

(i) overall appeal (to company identified markets)

(3) Display and merchandising:

(a) quality of fittings

(b) layout

(c) lighting

(d) security

(4) Management:

(a) marketing and promotions strategies

(b) staff knowledge and training

(c) payment policies

(d) service levels

(e) honesty/record keeping

Restaurants should consider cost and traffic flow as two major factors in location site selection, especially since advertising and rent can be reciprocal. In other words, low-cost, low-traffic location means you must spend more on advertising to build traffic.

Place may also vary according to the physical environment of a restaurant. Current statistics show that restaurateurs are spending more each year on interiors of their restaurants (Hedden, 1997). For restaurants ringing up check sizes of less than $20 per person, the cost of interior design per seat is $1,000 on average compared to $3.000 per seat for restaurants ringing up $50 per person (Hedden, 1997). Most improvements fit under general interior design, but the largest increase has been in themed restaurants or restaurants known for their atmospheres or food. Because of the increasing variety of restaurants from which to choose, great food may not be enough to set one apart from the next. Instead, owners are using atmosphere as an extra bargaining chip. Restaurant owners who rely heavily on themes in their marketing mix face a real challenge in deciding what theme to pursue and how to keep this theme relevant to the fickle restaurant-going public. Planet Hollywood is a good example of how quickly a themed restaurant can become outdated.

Promotion

Promotion refers to all the ways the company lets people know about themselves and your work. It includes both paid and unpaid activities, advertising, personal appearances, competitions, media releases, speeches, demonstrations, teaching, and the way the company interacts with audiences, sponsors, promoters and peers. At this stage it is just necessary to remember that promotion is an important part of the marketing mix. While some people consider it the most important part (and the most fun because it includes all the 'bells and whistles' of advertising and publicity).

Promotion is often confused for the entire marketing plan. This is because it is the most visible part of the plan. Promotion includes advertising, salesmanship, public relations, direct mail and other promotional activities (Folkes, 2001). In general, high quality service is a must for all restaurants that wish to compete in today's environment. It is especially necessary for small businesses due to their limited ability to advertise heavily. The marketing mix can be updated through promoting and advertising products. Promoting options that add convenience for the consumer may gain new consumers or repeat business. Offering services such as full-menu take-out from sit-down restaurants or re-sealable packages for easy clean-up from quick-service establishments may be just enough to persuade a new consumer to try a restaurant. Although a restaurant may be gaining business in take-out or drive-through marketing, it may also be increasing future in-house sales, especially in cases of sit-down restaurants with very long wait times (Folkes, 2001).

Alternative menu choices or expanded menus for restricted diets need proper advertising. Advertisements showcasing these options can mean bigger profits and happier consumers. Also, restaurant reviews in newspapers and magazines can provide publicity for expanded menus (Mills. 2000).

2.2 The Concept of Consumer Satisfaction

The concept of consumer satisfaction has a long history in marketing thoughts. Since the of consumer effort, expectations and satisfaction, the body of work in this field has expanded greatly and studies of consumer behavior emphasize consumer satisfaction as the core of the post purchase period. Because consumer satisfaction presumably leads to repeat purchases and favorable word-of-mouth publicity, the concept is essential to marketers.

In saturated markets, consumer satisfaction is thought to be one of the most valuable assets of a firm. Consumer satisfaction serves as an exit barrier, thereby helping the firm to retain its consumers (Kotler 1999). The impact of loyal consumers is considerable; for many industries, the profitability of a firm increases proportionally with the number of loyal consumers and up to 60% of scales to new consumers can be attributed to word-of-month referrals (Reichheld, F. F.. Sasser, W E. 1990). Frequently presented as a promising tool for increased consumer satisfaction, total quality management (TQM) has entered the vocabulary of business and industries. governments and public services around the world. Sashkin and Kiser argued that TQM implies that the organization's culture is defined by and supports constant attainment of consumer satisfaction through an integrated system of tools, techniques and training.s (Gundersen,

M. G., Heide, M., Olsson, U. H. (1996). This involves continuous improvement of organizational processes resulting in high-quality products and services.

Consumer satisfaction

Consumer satisfaction is a mental state which results from the consumer's comparison of a) expectations prior to a purchase with b) performance perceptions after a purchase (cf. Oliver 1993, Oliver 1996, Westbrook 1987. Westbrook & Oliver 1991). A consumer may make such comparisons for each part of an offer ("domain-specific satisfaction¯) or for the offer in total ("global satisfaction"). In the satisfaction literature. consumer satisfaction usually refers to the latter type of outcome. Moreover, this mental state, which researchers view as a cognitive judgement, is conceived of as falling somewhere on a bipolar continuum bounded at the lower end by a low level of satisfaction (expectations exceed performance perceptions) and at the higher end by a high level of satisfaction (performance perceptions exceed expectations).

The definition of Consumer Satisfaction is complex. Locke (1969) defines as ¯a pleasurable or positive emotional state resulting from the appraisal of one's job and as a function of the perceived relationship between what one wants from one's job and what one perceives it as offerings or entailing". Breakdown of the key words in this definition can be categorized into (a) emotion, (b) appraisal, (c) expectation and (d) perception which form the consumers' satisfaction process. Based on this definition, various modern theoretical frameworks evolve from the satisfaction and dissatisfaction influencing factors that nature into the objectives of modern business philosophies.

Parasuraman (1988 and 1990) states the key premise to consumer satisfaction is the prerequisite understanding of consumer satisfaction and delivering of superior service as the consumer compares perceptions with expectations when judging a firm's service. One of the key influences of the consumer's expectations is price and they believe that the more the pay, the better the service should be. Nonetheless, low price with high quality adds on to their satisfactions if the consumers perceive the value of the products/services to be higher than what they pay. This premise however depends on the communication, image of the firm, flow of information to the consumers and the delivery of the promise the firm made to the market.

Oliver defined consumer satisfaction in the disconfirmation paradigm using two other cognitive variables being pre-purchase expectation and disconfirmation. Pre-purchase expectations are beliefs about anticipated performance of the pi oductlservice while discorifirmation is the difference between the pre-purchase expectations and the perceptions of post-purchase. Satisfaction may best be understood as an evaluation of the surprise inherent in a product acquisition and/or consumption experience.

Kotler. (1994): Obviously, consumers will be satisfied if they get what they want, when. where they want and how they want. This does not mean that a service provider will be able to meet the consumer's wishes. The service provider faces a trade-off between consumer satisfaction and company profitability. The service as the intangible product is a tool which can satisfy the consumer's needs. Then, it can be simply concluded that the service and satisfaction are highly correlated. It is not only the service alone. but quality. Service quality is the key to satisfy the consumer's needs.

From the above widely used definitions. it can be implied that the outcome of "perceived value-experience¯ comparison process is the key premise in judging consumer satisfaction, which will also be measured in this study. This comparison process is therefore related to the intertwined relationship between service/product quality and consumer satisfaction.

Consumer satisfaction and repurchase intentions

It should be noted that consumer satisfaction (a mental state) cannot have any direct impact on consumer profitability. It is the *behavior* of the consumer, which may follow from a certain level of satisfaction, that affects consumer profitability. Consequently, a number of variables which are assumed to be a) consequences of consumer satisfaction and b) predictors of profitability have been suggested in the literature. These include loyalty, word-of-mouth. price sensitivity, feedback to the supplier, and job satisfaction among the supplier's person n:.‘1 (Anderson et al 1994, Peppers & Rogers 1997, Reichheid 1996). In this study, however, focus is on a particular class of variables related to purchasing patterns. In the consumer satisfaction literature, one particular purchase-related variable dominates: repurchase intentions. Several studies have shown that a positive association is at hand between consumer satisfaction and intentions to purchase again froin the supplier who was responsible for the initial level of satisfaction (Anderson & Sullivan 1993, Biong 1993. Bloemer & Kasper 1994, Jones & Sasser 1995, LaBarbera & Mazurskv 1983. Macintosh & Lockshin 1997, Soderlund 1998, Taylor & Baker 1994).

The main rationale behind this link may be stated as follows: a behavioral intention is a function of a) the consumer's expectation that the performance of a specific behavior will lead to a certain outcome and b) the positive or negative evaluation of this outcome (Ryan 1982). With this view, there are two ways in which satisfaction may affect repurchase intentions. First, given that the consumer is satisfied. satisfaction serves to narrow the variance in expectations (Anderson & Sullivan 1993). This, in turn, is likely to reduce uncertainty and provide cognitive economy in future choices, which may be important objectives per se. Second, given again that the consumer is satisfied, the result is positive evaluations. Hence, a positive association between consumer satisfaction and repurchase intentions is assumed.

Consumer Satisfaction and Loyalty

The work of Coyne as well as Oliver and colleagues indicates a non-linear relationship involving two thresholds. The improvements in satisfaction levels initially result in a large increase in loyalty (i.e. the slope is quite steep until it hits the first threshold point) because basic expectations and needs are being met. Between the two threshold points, however. there is little if any increase in loyalty when satisfaction is increased. It is not until the second threshold is exceeded that researchers see significant improvements in loyalty again (steep slope to the curve). The distance between the two thresholds is thought to be wider when the consumer has a high investment in the relationship (i.e. monetary or psychological investment) because it will take more than one or two less than satisfactory service encounters for them to defect or switch to a competitor. Conversely where the consumer has a low investment then the threshold region is likely to narrow. This analysis suggests that a firm is vulnerable if performing below the first threshold level, but in a strong competitive position if it can perform beyond the second threshold.

Pivotal Role of Satisfaction

Consumer satisfaction is not an end in itself. It is the means to achieving several key business goals and a competitive advantage. First, as already mentioned, satisfaction is inextricably linked to consumer loyalty and relationship commitment. Also it is linked to a high positive correlation between market share and satisfaction (Australian Consumer Service 1995). Second, highly satisfied (delighted) consumers spread positive word of mouth, and in effect become a walking, talking advertisement for consumer firm, which lowers the cost of attracting new consumers. This is especially

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important amongst professional service firms (e.g. lawyers, accountants, consultants, and engineers) where a firm's reputation and word of mouth are key information sources for new clients (Dawes, Dowling and Patterson 1992). Next, long-term satisfied consumers are more ¯forgiving¯-that is, the firm can occasionally slip up without fear of losing the consumers. It generally takes more than one unsatisfactory incident for a long-term consumer to switch. So satisfaction is like an insurance policy against something going wrong. which it inevitably will because of the variability in quality associated with service delivery procedures. Finally, delighted consumers are less susceptible to competitive offerings. It is in these ways that achieving satisfaction helps provide a key competitive advantage.

2.3 Creating Consumer Service Culture

Because consumer service is such an integral part of any service business, there are several guidelines to creating a culture within the organization that would help to create a culture that prioritizes consumer service (Morrow, 1995):

(1) Management must make the measurement of service quality and feedback from the consumer a basic part of everyone's work experience (Morrow, 1995). This information must be available and understood by everyone, no matter what their level. The entire organization must become obsessed with what the consumer wants.

A printing firm has signs all over the shop saying. "Is it good enough? Ask the consumer." This statement serves as a constant reminder to everyone that consumers are the ultimate judge of whether the service is what it should be, and that all employees must be constantly surveying consumers for what and how they want it. The firm regularly sends out questionnaires about the quality of their service and then posts these results for all to see (Morrow, 1995).

where you want the mugs, buttons, and banners. Have a consumer service bulletin board to feature service incidents that were special. Seize every opportunity to publicize the times when employees do it right.

A newsletter should be developed to boast of consumer service successes so that the idea of service is constantly in front of everyone (Morrow, 1995). One company, a major utility, devoted an entire issue of the company magazine to "24 Karat Consumer Service." It featured examples of how individual employees defined consumer service, stories of humorous or unusual consumes service situations, an article on the importance of internal consumer service, and other ideas designed to keep employees aware of the importance of their efforts in achieving quality consumer service.

A hospital not only touts their consumer service "hero stories" in their newsletter, they also have a giant pep rally once a quaner for everyone to share their stories. Individual teams get together often to focus on what has gone right as well as v,rong in their patient and other consumer relations (Morrow, 1995).

(5) Indoctrinate and train everyone in the culture as soon as they are hired (Morrow. 1995). Disney is famous for this. It puts all newcomers through a "traditions" course that details the company history with consumer relations and how it is the backbone of Disney. The orientation program is a key part of the ultimate success of the consumer service efforts. Make sure that it contains more than an explanation of benefits and a tour of the facilities(Morrow, 1995). It can be an important element in planting the consumer service culture of the company so it can flourish and grow.

(6) Encourage a sense of responsibility for group performance(Morrow, 1995). Help employees see how their performance affects others. Emphasize the importance of

"internal consumer service." Help everyone to see that if they do not serve each other well, they can never hope to serve their ultimate consumer.

Does accounts payable or shipping see that the timeliness of their service to other employees makes a big difference in how the consumer is served? Does the cook realize how important it is to get the order exactly right in the kitchen so the waitstaff can please the restaurant consumers? Even something as seemingly insignificant as returning from lunch break on time can affect the quality of the consumer service you offer by determining whether you have enough coverage to serve employees promptly (Morrow, 1995). Repeating again and again that consumer service is the responsibility of everyone in the organization, not just the "consumer service department."

(7) Establish policies that are "consumer friendly" and that show concern for the consumers (Morrow, 1995). Eliminate all routine and rigid policies and guidelines. Make the company out to be a company that is easy to do business with. Never let the consumer service representatives say, "Those are the rules I have to follow; there's nothing I can do about it." There is always a way to satisfy the consumer. Employees need to be given authority to do so.

(8) Remove any employees who do not show the behavior necessary to please consumers (Morrow. 1995). Too many companies allow frontline service representatives to remain on the job when they are not suited to a consumer service position. If employees do not want to serve the consumer in the hest way possible, document their behaviors and use this information to help them change or to move them to areas away from consumer interaction (Morrow, 1995).

In order for a culture of consumer service excellence to grow and thrive. management must have a burning desire for it to be that way and the energy to ensure that this desire spreads throughout the organization and remains there permanently.

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Everyone, from the top down, must believe that they work for the consumer (Morrow, 1995).

2.4 Marketing Environment

There are many variables that operate within an organizations environment that have a direct or indirect influence on their strategy. A successful organization is one which understands and can anticipate and take advantage of changes within their environment.

An organizations operating environment can be analyzed by looking at

(1) External forces *(those factors that an organization has no control over),*

(2) internal forces (*factors that an organization has direct control over)*

The external environment of an organization can be analyzed by conducting a

P.E.S.T analysis. "his is a simple analysis of an organization's *Political, Economical, Social and Technological* environment.

Political

Political factors can have a direct impact on the way business operates. Decisions made by the government affect the company's every day lives and can come in the form of policy or legislation. The government's introduction of a statutory minimum wage affects all businesses, as do consumer and health and safety laws and so on. The current increase in global petrol prices is having a profound impact on major economies. It is estimated that £200bn has been added to the global fuel bill since the price increases started (BBC news 19/9/00).

The political decision as to whether the UK will sign up to the Single European Currency is again having an impact on UK businesses. Firms like Nissan who have recently invested in the UK have signaled that they will withdraw their business from the UK if the government fails to sign up.

Economical

All businesses are affected by economical factors nationally and globally. Interest rate policy and fiscal policy will have to be set accordingly. Within the UK the climate of the economy dictates how consumers may behave within society. Whether an economy is in a boom, recession or recovery will also affect consumer confidence and behavior.

An economy which is booming is characterized by certain variables. Unemployment is low. job confidence is high, and because of this confidence, spending by consumers is also high. This has an impact on most businesses. Organizations have to be able to keep up with the increased demand if they are to increase the turnover. An economy which is in a recession is characterized by high unemployment, and low confidence. Because of high unemployment, spending is low; confidence about job security is also iow. Businesses face a tough time, consumers will not spend because of low disposable income. Many businesses start cutting back on costs i.e. Labor, introduce shorter weeks and cut back on advertising to save money.

Economies globally also have an impact on UK businesses. Cheaper labor abroad affects the competitiveness of UK products nationally and globally. An increase in interest rates in the USA will affect the share price of UK stocks or adverse weather conditions in India may affect the price of tea.

A truly global player has to be aware of economic conditions across all borders and ensure they employ strategies and tactics that protect their business.

Social

Within society forces such as family, friends. and media affect the company's attitude, interest and opinions. These forces shape who we are as people and the way we behave and what we ultimately purchase. For example within the UK peoples' attitudes are changing towards their diet and health. As a result the UK is seeing an increase in the number of people joining fitness clubs and a massive growth for the demand of organic food. On the other end of the spectrum the UK is worried about the lack of exercise its youngster are obtaining. These 'fast food games console' children are more likely to experience health problems in their future because of the lifestyle they are living now.

Population changes also have a direct impact on all organizations. Changes in the structure of a population will affect the supply and demand of goods and services within an economy.

In Japan the fall in the birth rate has had a major impact on the sales of toys, and as demand falls competition for the remaining market becomes very intense. If this trend continues it will have an impact on other sectors within the future, affecting teen products, 20's products and so on.

As society changes, and as behaviors change. organizations must be able to offer products and services that aim to complement and benefit people's lifestyle and behavior.

Technological

Changes in technology are changing the way business operates. The Internet is having a profound impact on the marketing mix strategy of organizations. Consumers can now shop 24 hours a day comfortably from their homes. The challenge these organization faces is to ensure that they can deliver on their promise. Those businesses.

which are slow to react, will fall at the first few hurdles. This technological revolution means a faster exchange of information beneficial for businesses as they can react quickly to changes within their operating environment.

There is renewed interest by many governments to encourage investment in research and development and develop technology that will give their country the competitive edge. The pace of technological change is so fast that in the computer industry the average life of a computer chip is approximately 6 months. In the name of progression technology will continue to evolve and organizations that continue to ignore, this will face extinction.

2.5 Micro Environmental Factors

These are internal factors close to the company that have a direct impact on the organizations strategy. These factors include:

Consumers

Organizations survive on the basis of meeting the needs, wants and providing benefits for their consumers. Failure to do so will result in a failed business strategy.

Employees

Employing the correct staff and keeping these staff motivated is an essential part of the strategic planning process of an organization. Training and development plays an essential role particular in service sector marketing in-order to gain a competitive edge. This is clearly apparent in the airline industry.

Suppliers

Increase in raw material prices will have a knock on affect on the marketing mix strategy of an organization. Prices may be forced up as a result. Closer supplier relationships are one way of ensuring competitiveness and quality products for an organization.

Shareholders

As organizations require greater inward investment for growth they face increasing pressure to move from private ownership to public. However, this movement unleashes the forces of the shareholders' pressure on the strategy of the organizations. Satisfying shareholder needs may result in a change in tactics employed by an organization. Many internet companies whose share prices rocketed in 1999 and early 2000 have seen the share price tumble as they face pressures from shareholders to turn in a profit. In a market which has very quickly become overcrowded many will fall.

Media

Positive or adverse media attentions on an organizations product or service can in some cases make or break an organizations. In the UK the adverse publicity the Millennium Dome has received has had impact on projected sales figures. Wharfedale who recently entered the DVD market has received many awards from industry magazine resulting in an increased demand for this product and most importantly an increased awareness of the Wharfedale brand.

Consumer programs on TV like the BBC's Watchdog with a wider and more direct audience can also have a very powerful and positive impact. forcing organizations to change their tactics.

Competitors

The name of the game in marketing is differentiation. What benefit can the organization offer which is better then their competitors? Can they sustain this differentiation over a period of time from their competitors? Competitor analysis and monitoring is crucial if an organization is to maintain its position within the market.

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2.6 Michael Porter's Five Forces

The model of pure competition implies that risk-adjusted rates of return should be constant across firms and industries. However, numerous economic studies have affirmed that different industries can sustain different Icvels of profitability; part of this difference is explained by industry structure (Porter, 1998).

Michael Porter provided a framework that models an industry as being influenced by five forces (Porter, 1998).

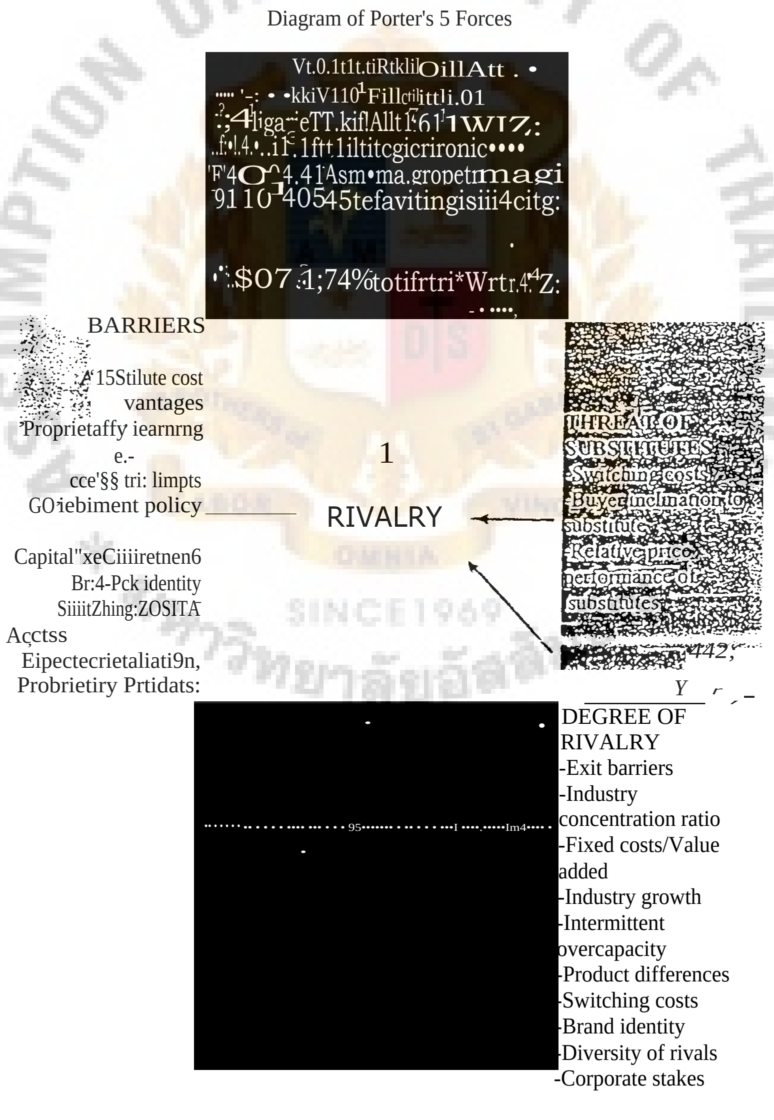

Figure 2.1 Porter's Five Forces

(1) Rivalry

In the traditional economic model, competition among rival firms drives profits to zero. But competition is not perfect and firms are not unsophisticated passive price takers. Rather, firms strive for a competitive advantage over their rivals. The intensity of rivalry among firms varies across industries, and strategic analysts are interested in these differences.

If rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of a leading firm, or informal compliance with a generally understood code of conduct. Explicit collusion generally is illegal and not an option; in low-rivalry industries competitive moves must be constrained informally. However, a maverick firm seeking a competitive advantage can displace the otherwise disciplined market.

When a rival acts in a way that elicits a counter-response by other firms, rivalry intensifies. The intensity of rivalry commonly is referred to as being cutthroat, intense, moderate. or weak, based on the firms' aggressiveness in attempting to gain an advantage.

In pursuing an advantage over its rivals. a firm can choose from several competitive moves:

(1) Changing prices - raising or lowering prices to gain a temporary advantage.

(2) Improving product differentiation - improving features, implementing innovations in the manufacturing process and in the product itself

(3) Creatively using channels of distribution - using vertical integration or using a distribution channel that is novel to the industry. For example, with high-end jewelry stores reluctant to carry its watches, Timex moved into drugstores and other non-traditional outlets and cornered the low to mid-price watch market.

(4) Exploiting relationships with suppliers - for example, from the 1950's to the 1970's Sears, Roebuck and Co. dominated the retail household appliance market. Sears set high quality standards and required suppliers to meet its demands for product specifications and price.

The intensity of rivalry is influenced by the following industry characteristics:

(1) A larger number of firms increases rivalry because more firms must compete for the same consumers and resources. The rivalry intensifies if the firms have similar market share, leading to a struggle for market leadership.

(2) Slow market growth causes firms to fight for market share. In a growing market, firms are able to improve revenues simply because of the expanding market.

(3) High fixed costs result in an economy of scale effect that increases rivalry. When total costs are mostly fixed costs. the firm must produce near capacity to attain the lowest unit costs. Since the firm must sell this large quantity of product, high levels of production lead to a fight for market share and results in increased rivalry.

(4) High storage costs or highly perishable products cause a producer to sell goods as soon as possible. If other producers are attempting to unload at the same time, competition for consumers intensifies.

(5) Low switching costs increases rivalry. When a consumer can freely switch from one product to another there is a greater struggle to capture consumers.

(6) Low levels of product differentiation is associated with higher levels of rivalry. Brand identification, on the other hand, tends to constrain rivalry.

(7) Strategic stakes are high when a firm is losing market position or has potential for great gains. This intensifies rivalry.

(8) High exit barriers place a high cost on abandoning the product. The firm must compete. High exit barriers cause a firm to remain in an industry. even when the

venture is not profitable. A common exit barrier is asset specificity. When the plant and equipment required for manufacturing a product is highly specialized, these assets cannot easily be sold to other buyers in another industry. Litton Industries' acquisition of Ingalls Shipbuilding facilities illustrates this concept. Litton was successful in the 1960's with its contracts to build Navy ships. But when the Vietnam war ended, defense spending declined and Litton saw a sudden decline in its earnings. As the firm restructured, divesting from the shipbuilding plant was not feasible since such a large and highly specialized investment could not be sold easily, and Litton was forced to stay in a declining shipbuilding market.

(9) A diversity of rivals with different cultures, histnries and philosophies make an industry unstable. There is greater possibility for mavericks and for misjudging rival's moves. Rivalry is volatile and can be intense. The hospital industry, for example, is populated by hospitals that historically are community or charitable institutions, by hospitals that are associated with religious organizations or universities, and by hospitals that are for-profit enterprises. This mix of philosophies about mission has lead occasionally to fierce local struggles by hospitals over who will get expensive diagnostic and therapeutic services. At other times, local hospitals are highly cooperative with one another on issues such as community disaster planning.

(10) Industry Shakeout. A growing market and the potential for high profits induces new firms to enter a market and incumbent firms to increase production. A point is reached where the industry becomes crowded with competitors, and demand cannot support the new entrants and the resulting increased supply. The industry may become crowded if its growth rate slows and the market becomes saturated, creating a situation of excess capacity with too many goods chasing too few buyers. A shakeout ensues, with intense competition, price wars, and company failures.

Whatever the merits of this rule for stable markets, it is clear that market stability and changes in supply and demand affect rivalry. Cyclical demand tends to create cutthroat competition. This is true in the disposable diaper industry in which demand fluctuates with birth rates, and in the greeting card industry in which there are more predictable business cycles.

(2) Threat Of Substitutes

Substitute products refer to products in other industries. To the economist, a threat of substitutes exists when a product's demand is affected by the price change of a substitute product. A product's price elasticity is affected by substitute products - as more substitutes become available, the demand becomes more elastic since consumers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices.

The competition engendered by a Threat of Substitute comes from products outside the industry. The price of aluminum beverage cans is constrained by the price of glass bottles, steel cans. and plastic containers. These containers are substitutes, yet they are not rivals in the aluminum can industry. To the manufacturer of automobile tires, tire retreads are a substitute. Today, new tires are not so expensive that car owners give much consideration to rethreading old tires. But in the trucking industry, new tires are expensive and tires must be replaced often. In the truck tire market. rethreading remains a viable substitute industry. In the disposable diaper industry, cloth diapers are a substitute and their prices constrain the price of disposables.

While the threat of substitutes typically impacts an industry through price competition. there can be other concerns in assessing the threat of substitutes. Consider the substitutability of different types of TV transmission: local station transmission to home TV antennas via the air s versus transmission via cable, satellite, and telephone lines. The new technologies available and the changing structure of the entertainment media are contributing to competition among these substitute means of connecting the home to entertainment. Except in remote areas it is unlikely that cable TV could compete with free TV from an aerial without the greater diversity of entertainment that it affords the consumer.

(3) Buyer Power

The power of buyers is the impact that consumers have on a producing industry. In general, when buyer power is strong. the relationship to the producing industry is near to what an economist terms a monopsonv - a market in which there are many suppliers and one buyer. Under such market conditions. the buyer sets the price. In reality few pure monopsonies exist, but frequently there is some asymmetry between a producing industry and buyers.

(4) Supplier Power

A producing industry requires raw materials - labor, components, and other supplies. This requirement leads to buyer-supplier relationships between the industry and the firms that provide it the raw materials used to create products. Suppliers, if powerful, can exert an influence on the producing industry, such as selling, raw materials at a high price to capture some of the industry's profits.

(5) Barriers to Entry / Threat of Entry

It is not only incumbent rivals that pose a threat to firms in an industry; the possibility that new firms may enter the industry also affects competition. In theory, any firm should be able to enter and exit a market, and if free entry and exit exists. then profits always should be nominal. In reality, however, industries possess characteristics that protect the high profit levels of firms in the market and inhibit additional rivals from entering the market. These are barriers to entry.

community a monopoly is created. Local governments were not effective in monitoring price gouging by cable operators, so the federal government has enacted legislation to review and restrict prices.

(2) Patents and proprietary knowledge serve to restrict entry into an industry. Ideas and knowledge that provide competitive advantages are treated as private property when patented, preventing others from using the knowledge and thus creating a barrier to entry. Edwin Land introduced the Polaroid camera in 1947 and held a monopoly in the instant photography industry. In 1975, Kodak attempted to enter the instant camera market and sold a comparable camera. Polaroid sued for patent infringement and won, keeping Kodak out of the instant camera industry.

(3) Asset specificity inhibits entry into an industry. Asset specificity is the exteni to which the firm's assets can be utilized to produce a different product. When an industry requires highly specialized technology or plants and equipment, potential entrants are reluctant to commit to acquiring specialized assets that cannot be sold or converted into other uses if the venture fails. Asset specificity provides a barrier to entry for two reasons: First, when firms already hold specialized assets they fiercely resist efforts by others from taking_ their market share. New entrants can anticipate aggressive rivalry. For example. Kodak had much capital invested in its photographic equipment business and aggressively resisted efforts by Fuji to intrude in its market. These assets are both large and industry specific. The second reason is that potential entrants are reluctant to make investments in highly specialized assets.

(4) Organizational (Internal) Economies of Scale. The most cost efficient level of production is termed Minimum Efficient Scale (MES). This is the point at which unit costs for production are at minimum - i.e.. the most cost efficient level of production. If MES for firms in an industry is known_ then we can determine the amount of market

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share necessary for low cost entry or cost parity with rivals. For example, in long distance communications roughly 10% of the market is necessary for MES. If sales for a long distance operator fail to reach 10% of the market, the firm is not competitive.

The existence of such an economy of scale creates a barrier to entry. The greater the difference between industry MES and entry unit costs, the greater the barrier to entry. So industries with high MES deter entry of small, start-up businesses. To operate at less than MES there must be a consideration that permits the firm to sell at a premium price - such as product differentiation or local monopoly.

Barriers to exit work similarly to barriers to entry. Exit barriers limit the ability of a firm to leave the market and can exacerbate rivalry - unable to leave the industry, a firm must compete.

III. SITUATION ANALYSIS

The food market is full of fierce competition from companies who are all trying to get consumers' attention and ultimately their support in purchasing food. In the fast food market, many franchises exist that compete against one another. Most of the players in the market are well-known and have been operating in the fast food industry for quite some time.

In the past few years, people have placed more and more importance on their health and on eating healthy foods, and on taking better care of their bodies by eating foods that are low in cholesterol, fat, and grease. However, the fast food industry still represents the convenience that people expect to have these days, such as the timeliness of foods like hamburgers and French fries.

3.1 PEST Analysis

As mentioned briefly in Chapter 2, a scan of the external macro-environment in which the firm operates can be expressed in terms of the following factors:

3.1.1 Political Analysis

There has been much political stability in the country for the past few years, with Thaksin Shinawatra being the prime minister since his induction. No claims for a non-trust suit have been filed. nor has there been any effort to seize the prime minister-ship. There is stability for businesses to be confident of growth in the country.

3.1.2 Economic Environment

The economy has been growing steadily, if a bit slowly, for the past couple of years. There has been slower growth than during the bubble-years of the 1980s and mid-1990s. of course, which is to be expected. Some economists talk of an economic revitalization but others are less enthusiastic. However, the economy is not seriously deflated or in decline at the present time. It is in a state of recovering at the moment.

3.1.3 Social Environment

People value convenience and place great importance on it. Whether it is a device that saves them time or the ability to get food in a timely fashion without any fuss and bother, people are always willing to pay. Both adults and children have a taste for fast food, which is why most fast food restaurants have a children's menu just for the kids.

Good health and healthy living. however. has been brought up in importance and priority for people over the past few years. Fast food has been regulated dubiously in the category of "junk food" because of its high cholesterol, grease, and fat content. There have been efforts by various fast food franchises to combat this image, through the offer of vegetarian choices as AN eh as advertising of products that have less fat or cholesterol.

3.1.4 Technological Environment

There have been technological advances in the form of computers and other intelligent machines that could help to regulate the processes of cooking and refrigerating food materials for fast food restaurants. For example, the machines that cook French fries have become more and more elaborate, able to have an exact temperature of the oil specified and a certain amount of time whereby the fries would be deep-fried in the oil before a notifying alarm would sound. There are better refrigeration methods that would let food keep for longer without being frozen or losing their taste.

3.2 Five Forces

Threat of Entry

The amount of money that would be needed to build up a branded franchise and make it popular would become a barrier to entry for new competitors. Also, the fact that there are already many fierce competitors with the financial funds and the clout for a variety of marketing campaigns and blitzes would possibly discourage new entrants.

Rivalry among Existing Firms

There are many existing competitors in the fast food industry. There are some. major competitors that come from large companies with the same or almost the same clout and size of McDonald's, and these would include such franchises as Burger King, KFC, and Chester's Grill.

Competition from Substitutes

Besides fast food, people can also buy and eat food at other kinds of restaurants, or buy and prepare food at home. In regards to substitutes to fast food, it can be said that any food can be substituted because they all take care of the same need. which is satisfying people's hunger.

Bargaining Power of Suppliers

Because of the size of McDonald's and the fact that they are a huge presence around the world, there would be suppliers ready and willing to follow McDonald's regulations and quality standards in order to be able to sell the large quantity that McDonald's needs each day. Therefore, the bargaining power of suppliers with such a giant as McDonald's would be rather low. If a supplier had a problem with McDonald's, there would be other suppliers who would be more than willing to take his place. McDonald's could choose pretty much anyone it wants.

Bargaining Power of Buyers

Typically, the bargaining power of buyers would be rather high in this market, as consumer products and foods tend to be so. This is because there are many choices for consumers to choose from, and it is up to the company to convince them that a certain food or franchise is the best from the rest.

3.3 SWOT Analysis of the Company

Strengths

The company's name is one of the most recognized in the world.

The company's French fries and hamburgers, as well as theii Happy Meals, are famous and well-sought-out.

The company has almost half a century of experience to call upon.

The company has an intensive and extensive training program for franchisees and the people hired as employees.

The company is huge and extremely well-financed, with financial funds for any marketing campaign or educational campaign for its products.

The company has a good corporate reputation with consumers.

The service of the company's outlets is efficient, indicative of effective training.

Weaknesses

The various hamburgers that the company serves are smaller than comparable Burger King burgers.

The company does not have an image for providing healthy food.

There are few choices for a healthy meal instead of a "junk food" meal as perceived by consumers.

There is lack of advertising about what the corporation has been doing and how they take their social responsibility seriously.

There is lack of advertising in regards to the healthier menu choices available.

Opportunities

Because people are more concerned about their health and eating healthy foods, the company can try to pull more consumers through the broadening of menu choices.

There are opportunities for expansion as more and more people in the developing and newly developed countries adopt Western lifestyles and eating preferences.

There are opportunities for expansion as more and more people value convenience and a fast meal, as they have little time for more elaborate food.

Threats

The competitors are expanding, with some major competitors (such as Burger King) having plans to expand the number of their franchises intensively.

Because people are health-conscious, they label the company's food as ¯junk food," which is a negative image that the company must try to overcome.

The competition for consumers is very intense: as such, there have been many cuts and discounts in prices that could lead to fast food price wars similar to what has happened before.

3.4 Company Activity Analysis (http://www.mcdonalds.com)

3.4.1 McDonald's Corporate Social Responsibility

Environment

McDonald's has a long record of industry leadership in environmental protection. Working with prominent independent experts. McDonaid's hay e initiated an ongoing series of measures to conserve natural resources and reduce waste. The company's efforts have earned awards and recognition from major environmental organizations. McDonald's is challenging itself to do still more to help realize a sustainable society.

The Commitment.

The company's various environmental initiatives around the world flow from a global commitment to environmental leadership, expressed in a statement of global principles. in them, McDonald's recognizes a special responsibility foi conservation, based on the company's relationship with millions of consumers around the world.

Natural Resources.

Worldwide, in a variety of ways, McDonald's is acting to conserve natural resources. McDonald's is reducing the company's restaurants' uses of energy and water, minimizing emissions that contribute to pollution and global warming. and exploring cutting-edge technologies to produce further breakthroughs.

Rain Forest Policy.

McDonald's strongly supports preservation of tropical rainforests land. McDonald's had a specific policy against purchasing beef from rainforest or recently deforested rainforest land.

Si/sic/Mc/ha/it'.

In 2002. McDonald's launched a broader, deeper commitment to environmental stewardship. The aim is sustainability—preserving resources and the services they provide for the benefit of current and future generations. Working with the company's suppliers and expert advisors, McDonald's is moving to extend environmental protection beyond the company's restaurants to the company's supply chains.

Waste Management.

Solid waste management is a key element of the company's environmental program. Working with the company's expert advisor Environmental Defense, McDonald's has reduced the material content of the company's packaging, expanded recycling and uses of recycled materials, and found safe and feasible reuses for materials.

Quality & Safety

Food Quality

At McDonald's, pride is taken in the food served. Whenever possible, McDonald's restaurants purchase locally and regionally, seeking out suppliers who can meet the company's high standards. In some cases, McDonald's work with local producers so that they can become suppliers. Many of the foods served at the company's restaurants are the same trusted brands the company's consumers might purchase at their local grocery stares.

Food Safely

Food safety is a top priority at McDonald's, and McDonald's works with suppliers who share the company's commitment. Together, McDonald's continually explores technological innovations to enhance food quality and safety.

The comnany's standards meet or exceed government requirements. The company's approach is from the farm to the restaurant counter. McDonald's has stringent standards in place in critical areas throughout the food supply chain—from food design through production and processing to distribution to restaurant operations. The company's food products are continuously monitored and checked at critical points all along the way.

Food safety is also built into the company's restaurant operations through training for restaurant managers and crew.

The company has established special safeguards to ensure the continuing safety of the company's beef supplies. Ail International Scientific Advisory Council of independent experts keeps us abreast of the latest research on prevention of bovine spongiform encephalopathy (BSE). McDonald's is also providing grants to advance research on the cause. detection, and prevention of BSE.

Toy Safety

The company's toy safety record far exceeds the record for the toy industry ovurall. This reflects the high priority McDonald's places on toy safety and the company's relationships with suppliers who share the company's commitment and have the capabilities to deliver. The toys and other promotional items McDonald's distribute undergo extensive reviews and testing by a team of safety experts, including independent testing laboratories. They are tested with state-of-the-art technologies before, during, and after production.

Play Place Safety

The company is committed to offering the company's consumers the safest play environments and the most play value possible. To achieve this. McDonald's works with the world's leading playground equipment manufacturers and installers and with renowned safety consultants.

The company's commitment to safety goes beyond its own Play Place sites. In the U.S., for example. McDonald's supported the development of a National Playground Safety Institute training curriculum for people who operate playgrounds with soft contained equipment. McDonald's also participates. as a charter member, in Safer

America for Everyone's SAFE Circle—a group of companies pledged to uphold specific safety principles and to help promote consumer safety.

<u>Marketplace</u>

McDonald's purchases only a small fraction of the world's goods and services. However, McDonald's knows it can work with the company's suppliers to help improve their practices and set an example for other companies. McDonald's believes that it has an obligation to use the company's influence to make the world a better. safer place.

Animal Welfare.

McDonald's is an industry leader in animal welfare. The company's animal welfare program is global. It is based on guiding principles that apply to all the countries where McDonald's does business and includes onsite audits of the company's suppliers' facilities. To guide continuous improvement, McDonald's has an independent animal welfare advisory council of distinguished animal science experts.

Antibiotics.

To help preserve the effectiveness of life-saving antibiotics, McDonald's has issued a Global Policy on Antibiotic Use in Food Animals. This initiative calls for McDonald's suppliers worldwide to phase out use for animal growth promotion of antibiotics used in human medicine and provides sustainability guidelines to reduce other uses.

Quality and Safety.

With millions of consumers a day, McDonald's recognizes a profound responsibility to ensure the highest standards of quality and safety in the company's products and restaurant environments. The company's food safety system is from the farm to the restaurant counter, with quality and safety standards and regular checks in critical areas along the way. The toys and other promotional items the company s restaurants distribute are extensively reviewed and tested before, during, and after production by independent experts using state-of-the-art technologies. Equipment for the company's Play Place areas is likewise subject to stringent safety standards.

Supplier Social Accountability.

McDonald's holds the company's suppliers to the same high standards of conduct McDonald's observes. The company's Code of Conduct for Suppliers establishes the company's expectations for workplace conditions in their facilities. Continuous improvement is encouraged by onsite assessments, with enhancement plans required to correct deficiencies, and by supplier training. Compliance with the Code is a condition of doing business with the company.

Natural Resources

The earth's natural resources are depleting, and McDonald's has acknowledged and recognized how much it can help the environment.

Water.

McDonald's have established a Global Water Team to develop and coordinate water safety and water conservation programs. The company's water conservation efforts are currently focused on areas of the world where water is scarce. Approaches include:

(1) Collecting rain water and filter-cleaning water foi use in landscape irrigation.

(2) Reducing the amount of water needed to maintain landscaping by adapting plantings to the climate and adjusting watering schedules.

(3) Installing low-flush toilets and equipment that controls water flow. like auto-sensor faucets for sinks and timers for outdoor hoses.

(4) Training staff to use water efficiently in cleaning and landscape maintenance operations.

For example, McDonald's in Australia has established procedures to reduce the amount of material flowing into drains, installed water control devices in new restaurants, and invested in technology to pre-treat waste water prior to its release into the city sewage system. These actions have improved the quality of the company's restaurants' waste water by approximately 90 percent.

Also, McDonald's restaurants in New Delhi are also pre-treating waste water. They are playing a leadership role in detoxifying the Yamuna River, which is a major source of water for New Delhi acid highly polluted.

Energy.

The company's efforts to reduce energy use in the company's restaurants date back to the 1970's. They have significantly accelerated since the early 90's due to the company's more intensive focus on the environment and the emergence of new opportunities made possible by technological advances.

The company's approaches to energy conservation vary from country to country, because local conditions and needs are different. Types of changes McDonald's is exploring and implementing include:

(1) Energy-efficient fluorescent lighting_ because such lighting generates less heat than conventional incandescent lighting and it reduces energy consumption not only directly, but also by reducing demands on air conditioning equipment.

(2) Programmable devices that automatically regulate ener2y-consumin2 functions like lighting and air conditioning.

(3) Energy-effective changes in restaurant construction and renovation, such as improved insulation.

(4) More energy-efficient equipment, such as higher-efficiency HVAC units, heat pumps to recover energy generated by other equipment, and exhaust fans that automatically cycle to a lower speed when the grills they serve are not in use.

(5) Optimal.equipment maintenance procedures and schedules.

(6) Advice and training in energy management for restaurant managers.

(7) Restaurant utility audits are based on a diagnostics tool developed specifically for the company's restaurants. In some countries, restaurants are also using computerized systems to monitor and analyze restaurant energy uses.

The Atmosphere.

The company's concern for conservation of natural resources extends to air quality and protection of the ozone layer.

McDonald's is working with the company's suppliers, government agencies, independent experts, and other stakeholders to develop viable alternatives to the use of hydro fluorocarbons as refrigerants. For example, McDonald's in Denmark has opened the world's first HFC/HCFC/CFC-free restaurant to test various type of equipment using refrigerants that do not contribute to global warming.

McDonald's in Australia was the first quick service restaurant business in the country to sign the federal government's Greenhouse Challenge Cooperative Agreement—a voluntary program in which businesses develop, implement, and report on the results of plans to reduce greenhouse gas emissions by targeted amounts.

In the company's major European markets, McDonald's restaurants recycle used cooking oil. In some countries, all or most of the oil is converted into biodiesel fuel, which bums much cleaner than conventional diesel fuel. In Austria, the company's converted cooking oil fuels the trucks that deliver supplies to the company's restaurants.

McDonald's in Poland, in cooperation with the Lower Silesian Foundation for Ecodev elopment, is building bike parking stands to encourage use of bicycles instead of automobiles and buses for local transportation.

3.4.2 Commitment to the Environment

McDonaid's believes it has a special responsibility to protect the company's environment for future generations. This responsibility is derived from the company's unique relationship with millions of consumers worldwide, whose quality of life tomorrow will be affected by the company's stewardship of the environment today. McDonald's share their belief that the right to exist in an environment of clean air, clean earth and clean water is fundamental and unwavering.

The company realizes that, in today's world, a business leader must be an environmental leader as well. Hence the company's determination is to analyze every aspect of the company's business in terms of its impact on the environment and to take actions beyond what is expected if they hold the prospect of leaving future generations an environmentally sound world. McDonald's will lead both in word and in deed.

The company's environmental commitment and behavior is guided by the following principles:

Effectively managing solid waste.

McDonald's are committed to taking a "total life cycle" approach to solid waste. examining ways of reducing materials used in production and packaging, as well

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as diverting as much waste as possible from the solid waste stream. In doing so, McDonald's will follow three courses of action: reduce, reuse and recycle.

Reduce.

McDonald's will take steps to reduce the weight and/or volume of the packaging McDonald's use. This may mean eliminating packaging, adopting thinner and lighter packaging, changing manufacturing and distribution systems, adopting new technologies or using. alternative materials. McDonald's will continually search for materials that are environmentally preferable.

Reuse.

McDonald's will implement reusable materials whenever feasible within the company's operations and distribution systems as long as they do not compromise the company's safety and sanitation standards, consumer service and expectations and are not offset by other environmental or safety concerns.

Recycle.

McDonald's is committed to maximum use of recycled materials in the construction, equipping and operations of the company's restaurants. McDonald's is already the largest user of recycled paper in the company's industry, applying it to such items as tray liners, Happy Meal boxes. carryout bags. carryout trays and napkins. Through the company's "McRecycle" program. McDonald's maintains the industry's largest repository of information on recycling suppliers and will spend a minimum of $100 million a year buying recycled materials of all kinds.

The company is also committed to recycling and/or composting as much of the company's solid waste as possible. including such materials as corrugated paper. polyethylene film and paper. McDonald's will change the composition of the company's packaging, where feasible, to enhance recyclability or compostabilit\

Conserving and protecting natural resources.

McDonald's will continue to take aggressive measures to minimize energy and other resource consumption through increased efficiency and conservation. McDonald's will not permit the destruction of rain forests for the company's beef supply.

Encouraging environmental values and practices.

Given the company's close relationship with local communities around the world, McDonald's believes that it has an obligation to promote sound environmental practices by providing educational materials in the company's restaurants and working, with teachers in the schools.

The company intends to continue to work in partnership with the company's suppliers in the pursuit of these policies. The company's suppliers will be held accountable for achieving mutually established waste reduction goals, as well as continuously pursuing sound production practices which minimize environmental impact. Compliance with these policies will receive consideration with other business criteria in evaluating both current and potential McDonald's suppliers.

Ensuring accountability procedures.

McDonald's understand that a commitment to a strong environmental policy begins with leadership at the top of an organization. Therefore, the company's environmental affairs officer will be given broad-based responsibility to ensure adherence to these environmental principles throughout the company's system. This officer will report to the board of directors on a regular basis regarding progress made toward specific environmental initiatives.

On all of the above, McDonald's is committed to timely, honest and forthright communications with the company's consumers, shareholders, suppliers and employees. And McDonald's will continue to seek the counsel of experts in the environmental field.

By maintaining a productive, ongoing dialogue with all of these stakeholders, McDonald's will learn from them and move ever closer to doing all McDonald's can, the best McDonald's can, to preserve and protect the environment.

3.4.3 Corporate Diversity

McDonald's is the world's community restaurant. McDonald's is proud of the company's long-standing commitment to a workforce that is diverse. The company believes in developing and maintaining a diverse workforce that will strengthen the McDonald's system. Diversity at McDonald's is understanding, recognizing and valuing the differences that make each person unique.

McDonald's has been recognized for its many contributions in the following areas:

(1) Top 25 Companies for People with Disabilities

(2) Best Employer for Asians

(3) Top 50 Places for Hispanic Women to Work

(4) Fortune Magazine - Top Places for Minorities to Work

(5) Working Mother Magazine - Top 10 Diversity Champions

(6) Hispanic Magazine - Top 50 Corporate Women in America

McDonald's is committed to recoanizing the talents and job performance of all employees and values the contributions that come from people with different backgrounds and perspectives.

3.4.5 Five People Promise Principles

The company's People Promise is more than words. McDonald's and its independent owner/operators have made a commitment to the company's employees that McDonald's strive to achieve with the company's actions every day. And to make sure McDonald's deliver on this promise_ McDonald's have in place five people principles. These people principles reflect McDonald's values and describe the culture McDonald's embrace.

(1) Respect and Recognition

(a) Managers treat employees as they would want to be treated.

(b) Employees are respected and valued.

(c) Employees are recognized formally for good work performance, extra effort, teamwork, and consumer service.

(2) Values and Leadership Behaviors

(a) All of us act in the best interest of the Company.

(b) We communicate openly, listening for understanding and valuing diverse opinions.

(c) We accept personal accountability.

(d) We coach and learn.

(3) Competitive Pay and Benefits

(a) Pay is at or above local market.

(b) Employees value their pay and benefits.

(4) Learning, Development and Personal Growth

(a) Employees receive work experience that teaches skills and values that last a lifetime.

(b) Employees are provided the tools they need to develop personally and professionally.

(5) Resources to Get the Job Done

(a) Employees have the resources they need to serve the consumer.

(b) Restaurants are adequately staffed to allow for a good consumer experience as well as to provide schedule flexibility, work-life balance and time for training.

3.5 Competitor Analysis

McDonald's has several competitors, but the most notable would be the following three brands: Burger King, KFC, and Chester's Grill. Ali are franchises and all are referred to as fast food restaurants by consumers.

Burger King

Strengths

The company has a reputation of having the best burgers in the business.

The company has a variety of foods not found on McDonald's menus, such as their signature onion rings and hash browns.

The company name is well-known and well-recognized.

The company's food can be customized according to preferences from the consumer.

The food is prepared when there is an order so it would be fresher.

Weaknesses

There are very few Burger King restaurant outlets.

The prices of the food are some of the highest among competitors.

The company does not have a mascot that it can use.

Because the food is prepared only when there is an order, there is longer time to wait, and when there are many consumers in line it tends to get tedious.

KFC

Strengths

The company has a well-recognized name.

The company has the distinction of having the best fried chicken, which the company specializes in.

The company has a varied menu that includes a rice dish, coleslaw, and mashed potatoes.

The company has a well-recognized mascot (Colonel Sanders and the Chicky Chicken).

There are many KFC outlets.

Weaknesses

The company is known mostly for its chicken even though it has other varied menu items for offer.

The food itself is harder for consumers to consume than a hamburger, because there is need for plates, forks, and knives.

There are no visible "healthy" menu choices for consumers.

<u>Chester's Grill</u>

Strengths

The company is part of a conglomerate that owns poultry and pork fauns and thus raw materials can be sent to the franchises at lower rates.

There is a varied menu, consisting of hotdogs. rice dishes, pasta. and grilled chicken.

There is a recognizable mascot.

Weaknesses

There are fewer outlets than KFC or McDonalds (although it appears that Chester's Grill has more outlets than Burger King).

The company is not distinctively known for any kind of food.

The company is the least recognizable from all the other competitors mentioned.

There is little advertising done.

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IV. ANALYZE EXISTING MARKETING PLANS

In the food market, especially the fast food market, there are many competitors fiercely trying to get consumers. Although the industry is huge, there is nevertheless intense competition among the players already there, each trying to be the next meal chosen by the consumer.

This chapter focuses on analyzing the existing marketing plans within the context of the 4P's of the marketing mix, which include product, price, place (or channels), and promotion. These will be discussed in the following sections below.

4.1 Product

The product of fast food restaurants is food that can be prepared quickly, which includes such things as hamburgers, French fries, fried chicken, and various other dishes that have been developed and organized into the fast food category. These foods are usually either fried in oil or grilled. Bread and vegetables would be contained within the foods in some form, such as the bread of burgers and the vegetables placed inside. The orders would normally have soft drinks (Pepsi, Coca Cola, etc) as a side order with the food.

The types of fast food may be similar. but usually the implementation and the resulting food is different due to different ways of preparation. For example, French fries in McDonald's and the French fries in KFC are different due to differences in the raw potato slices used, the oil used for frying, and the amount of time the fries are let to fry as well as the salt used to flavor the French fries.

4.2 Price

The prices vary according to each fast food franchise, due to different costs of ray, materials and differences in the raw materials themselves. Foods are priced individually, although each place would have what is now known as the "value meal" or "combination sets," where different individual foods are placed together in one menu and offered for less than the total price of all the individual foods added together.

From time to time, there are also special discounts on certain individual items, whether it is the dessert (ice cream cones, sundaes, or pies), or various individual food items.

4.3 Place

Almost all the franchises of fast food restaurants are opened in department stores or shopping malls. There are some which have opened in office buildings, and it seems that only McDonald's has opened a stand-alone restaurant for consumers. Most of the time, however, franchisees usually would choose to locate their restaurant in a place that is guaranteed to have people, such as large shopping malls or in areas such as universities where there are a large number of potential consumers.

When there is a franchise restaurant in a certain area or place, usually it would be the only one there, since it would be folly for another fast food restaurant of the same company to open and cannibalize each other's sales when there are other competitors to contend with.

4.4 Promotion

Much of the promotion done for fast food restaurants are done on the basis of such things as "value meals" or "combination sets,¯ where people ate encouraged to come in and have a good meal at a low price. There are also such promotions as having a collectible item (a toy or something similar) that both children and adults would desire, which would have the consumers buy certain combination sets that they may not have normally bought in order to get the item. This would have the added positive effect of letting them try new menu choices that they may have a likine_ for_

There are also such things as the children's clubs that people can sign up for, or discount coupons that are passed out, as well as such things as sweepstakes or service guarantees (McDonald's 60 Seconds Guarantee) whereby the consumer gets a complimentary food coupon if the guarantee is not met. All these are aimed at trying to persuade consumers to come into that particular fast food restaurant to have a meal instead of going to a competitors' restaurant.

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V. DEVELOP NEW [SHORT TERM] MARKETING PLANS

McDonald's short-term marketing plans are designed for one year of implementation. Short-term plans for the company would be for one year because in the fast food industry, there are many competitors expanding and growing, fiercely competing to get consumers. This causes the marketing plan to be valid only for a short period of time because there may be some unexpected moves made by the competitor. The company also takes societal markets concept into account by preserving and enhancing the consumer and the society's well being.

5.1 strate*

Objectives

(1) To provide healthier fast food in the more health-conscious society

(2) To introduce new menu choices for the consumers in addition to the former menu choices

Product strategy

Because of the impact of a new health-conscious paradigm in people's way of thinking, there is a need to show the consumers quickly that McDonald's is adapting itself and changing its values to better reflect what the consumers feel is important. For example, the company could offer its burgers with leaner meat that has less fat, or use different cooking oils for frying in order to lower cholesterol levels and grease levels. It can also develop new healthier choices for its menus, such as burgers with whole-wheat bread slices or healthier cuts of meat.

In addition to the healthier food choices, the food preparation can be done through the use of lower-fat. lower-cholesterol condiments. For example, the mayonnaise that the company places on its hamburgers could be changed to a "light mayonnaise" that would contain lower fat and calories. There could be a way to drain the oil from French fries so that they won't contain much oil in them.

Aside from changes to existing menu choices, new menu items could be offered. For example, vegetarian choices or new "light" hamburger choices could be created and introduced to gauge consumers' reactions.

5.2 Pricing Strategies:

Pricing objective:

To maintain and/or increase market share and gain profit from production by using maximum current revenues.

Pricing method

The pricing of value meals could be adjusted by offering different sets or offering the same sets with certain food items changed. Prices can be discounted for special occasions but there would be a large chance that any discounts made on food items would be matched by competitors, which would become the start of a price war that could lead to everyone losing out on profits in the end. Such a situation is not conducive to business and should be avoided.

However, price increases should not be done lightly. since there are other competitors who most likely would stay at the same price. Price increases or price changes should only be done if the items in the value meals are changed or if there are noticeable, valuable-to-the-consumer changes made to the food itself. such as having the healthier food choices.

5.3 Place (Channel) Strategies

Channel Objectives:

(1) To expand McDonald's coverage in the country

(2) To increase sales volume through more franchise outlets

Distribution strategy

Because the company operates on a franchising level, the company can aid expansion and growth of its restaurants by broadening its criteria and requirements in order to increase potential candidates who are interested in licensing McDonald's. It can also increase interest by communicating exactly what kind of benefits that a person can get through being a McDonald's franchisee, and show that McDonald's has training and other processes in place to ensure the success of each business endeavor.

5.4 Promotion strategy

Sales Promotion

Objectives:

(1) To increase brand value and remind consumers of the brand

(2) To encourage consumers for increased repeat purchase.

(3) To encourage consumers to switch from the competitors' restaurants to the company's restaurants.

Most of company's sales promotions would be aimed directly to consumers. The company sales promotion activities will be implemented for special occasions in each year.

Happy Meal / Value Meal Gifts

Objectives:

(1) To stimulate sales in short period and increase frequency of repeat purchase.

(2) To reward loyal consumers.

Process:

The company can offer attractive toy sets in their Happy Meals, which stimulates the desire for collecting all of the toys in each set. Each week, a new toy would be offered in the Happy Meal. Besides children, adults also collect these toys and this would enable them to come back more frequently than they would have done in order to get the next toy on the list.

Besides gifts with the Happy Meal, the company can also award free gifts to consumers who buy value meals that would be more adult-themed. Because the gifts would be more expensive than the toys for the Happy Meal, the company can give out a Value Meal Gift Card with one stamp to consumers for their first value meal purchase. The next time consumers buy a value meal, they would get another stamp, and after a certain number of stamps they would get a variety of gifts. For example, there could be a ivicDonald's pen or a McDonald's coffee mug available, or such things as free movie tickets redeemable at participating theaters for any movie. There could also be such things as a picture frame, diaries, calendars, or other goods.

<u>Sweepstakes</u>

Objective:

(1) To create interest in consumers and boost sales.

Process:

The company can have a sweepstakes that would enable consumers to play for large prizes such as a television set or free tickets to travel to the USA to see the first McDonald's restaurant. The company can set that to be eligible for entering into the sweepstakes, consumers would have to buy a certain value (for example, 200 baht) in order to get a sweepstakes ticket that they would fill in and drop in the sweepstakes box in the McDonald's restaurant they are at.

When the time comes to award prizes. the boxes from all over the country would be taken to the same place and all tickets would be thrown together before the winning tickets would be selected randomly. The event could be televised as well in order to create further interest in the event.

Cause-Related Marketing

Objective:

(1) Building the company image through charitable means

Process:

The company has such things as the Ronald McDonald Charity set up in the United States for doing such things as giving charities to orphanages or helping the families of terminally ill children be more comfortable as they take their children into specialized hospitals for treatment. However, in Thailand the Ronald Charity is not yet very well-known.

The company could build its corporate image by supporting the local branch of the Ronald Charity in Thailand. The Ronald Charity could help poor children in rural areas to have the means of getting meals each day, or it could help in creating a place for children to study. The company could help sponsor orphanages as well. Consumers could help in giving to the foundation from their own donations or from their purchases of McDonald's products. For example, the company could give a certain amount of money towards the charity from each value meal sold (such as 5 baht).

Advertising

Advertising objectives

(1) To remind consumers about McDonald's

(2) To inform consumers about the new healthy products and product choices

(3) To stimulate potential consumers to buy the product.

St. Gabriel's library, Ar

Media Objective and Timing

Everyone needs to eat. Therefore, because all consumers are potential customers of McDonalds, the company could advertise on television in order to reach the maximum number of consumers. A marketing blitz campaign can be created in order to remind people of McDonald's. It can also be used to introduce the new healthier image of the company by showcasing how the company cares enough about its consumers' health that it is changing its food processes in order to give consumers healthier foods. In addition, the marketing campaign could be used to introduce and inform customers about the new healthy product choices available for consumption.

Besides these, the campaigns could be used to promote the image of McDonald's and show its standing as caring, different from competitors, and friendly. This would enable consumers to think of McDonald's not just as a huge corporation, but as a corporation that is approachable and therefore more appealing.

VI. DEVELOP NEW [LONG TERM] MARKETING PLANS

In addition to the short-term marketing plans mentioned in the previous chapter, there is also need for long-term marketing plans that would help the company within the fiercely competitive environment.

This chapter focuses on developing the long-terns marketing plans within the context of the 4P's of the marketing mix, which include product, price, place, and promotion. These will be discussed in the following sections below.

5.1 Product

Food

People have become more health-conscious, making choices that are better for their bodies in terms of food and exercise. In accordance to this ideal, foods that are high in cholesterol and fat, as well as foods that are deep-fried and greasy, have been designated into a broad category as "junk food."

In order to combat the situation and turn it from threat into opportunity, the company should develop new foods that would be in keeping with these new values. For example, in the Western countries there have been such additions as vegetarian burgers. This could be adopted for use here in the country as well.

In addition, the not'_ial foods can be modified slightly to become healthier. The meats that are used can be the leaner parts, which would help in redu,ing fat and cholesterol. In addition. as previously mentioned, condiments such as the mayonnaise that is used for flavoring can be changed to the "light" version where fewer calories and fat are included in them. The company could offer its burgers with leaner meat that has less fat, or use different cooking oils for frying in order to lower cholesterol levels and grease levels. It can also develop new healthier choices for its menus. such as burgers with whole-wheat bread slices or healthier cuts of meat. More varied menu choices, such as fish or chicken breast burgers, could also be implemented. Different processes in preparing the food could also be used to result in healthier versions of foods — for example, French fries could be fried using oil that has lower cholesterol content.

These new additions and choices would enable McDonald's to fight the image of being "junk food" — the company can point towards its innovations with food and talk about how it has been changing its procedures and methods in order to keep up with the changing priorities as well as through its care for the consumers.

Global, Unified Packaging

McDonald's (http://www.mcdonalds.com) unveiled a new and innovative global packaging design inspired by the company's "i'm lovin' it" global brand campaign. Featuring images of people enjoying life's simple pleasures, the packaging furthers McDonald's creative intent to connect with customers worldwide in fresh, relevant ways.

The United States, Canada and Latin America will be among the first to implement the new global packaging, which will be phased into McDonald's restaurants on adult bags and cold cups beginning January 2004. New "i'm lovin' it" Happy Meal packaging will roll out in March 2004. Conversion of all packaging in McDonald's 30,000 restaurants worldwide is expected to be complete by late 2004.

"This new global packaging continues our relentless focus on customers and on communicating a new energy and attitude for our brand," said Larry Light, McDonald's Executive Vice President and Global Chief Marketing Officer. "It's another signal that things are changing at McDonald's, and we are communicating with customers worldwide with a new voice and new attitude. It is the first time in our history that a single set of brand packaging, with a single brand message, will be used concurrently around the world."

McDonald's new packaging features state-of-the-art photography depicting real people doing things they enjoy - listening to music, playing soccer, and reading to their children. The images portray how people live and what they love. McDonald's "i'm lovin' it" theme will appear in a variety of different languages to further reflect the global community McDonald's serves.

Boxer, a design consultant firm based in Birmingham, England, was chosen by McDonald's to develop the initial graphic packaging design. Boxer used an innovative mix of "street casting" and more traditional models/athletes to depict key packaging scenarios. "We were very impressed by Boxer's breakthrough approach to the casting process as well as the company's creative grasp of our new brand attitude and style," said Light.

Boxer selected renowned British photographer Nick Clements, known for lifestyle photography, for the McDonald's packaging assignment. "We were really inspired by McDonald's new approach to borderless marketing and the challenge of applying this philosophy to package design," said David Poole, Managing Director of Boxer. "Our goal is to create a personal communication with customers via strong lifestyle imagery they can relate to and understand."

McDonald's new global packaging represents the next phase in the company's "Rolling Energy" marketing approach. which is continuing to energize brand McDonald's worldwide. It involves a multi-year worldwide marketing calendar that provides consistency in messa(2ing and communications to customers and employees. The "Rolling Energy" program features a variety of integrated marketing activities, including the new packaging, restaurant promotions, media planning, new products, merchandising and internal marketing.

"When we leverage our resources, talent and infrastructure, the power of the McDonald's system is unparalleled," Light added. "We continue to work together to move this brand forward in ways that customers everywhere will find fresh and appealing."

Additional Non-food Offerings

McDonald's (http://www.mcdonalds.com) can introduce a major new multi-category licensing initiative called "McKids." The new McKids retail line will feature top quality, action-oriented toys, casual contemporary clothing, interactive videos and books, all reflecting today's active lifestyles. It is one more strategic element in the company's ongoing revitalization plan that has helped usher in a new era of marketing at McDonald's.

"The business potential for McKids is tremendous," said Larry Light, McDonald's global chief marketing officer. "It will unify all our retail licensed products under one brand, with one brand look and one brand vision. It exemplifies the kind of new thinking, focus and bold action that is redefining McDonald's. It's all about connecting with consumers in fresh, relevant ways both inside and outside our restaurants."

The McKids toy line will expand on the success of the current portfolio of popular retail toys like the McFlurry Maker, (SpinMaster) named one of the Top 10 new toys at Toy Fair 2003 by USA Today, and expected to be one of the hottest selling_ items this holiday season at retail locations including Wal-Mart. Toys R Us and Target.

The new McKids brand will be introduced beginning in Spring 2004 in the U.S., Canada, Mexico, Japan, China, Australia, Korea and Taiwan, with additional countries to follow.

The McKids line of products includes:

Toy Line

The McKids toy line extends current offerings from role play toys and games to new active and creative play experiences. McDonald's currently has license agreements with many leading toy and game licensees, including Creative Designs, Hasbro, Mattel, Patch Products and SpinMaster.

Clothing/Footwear/Accessory

The McKids Apparel line will offer high quality fabrics and materials, great value, and casual styles that kids and their parents will appreciate. Clothing is created to endure, and will feature classic styles that parents can rely on season after season.

Video/DVD/Music

The McKids entertainment series provides an energetic, engaging and fun experience for children. Unlike typical videos for children that are more passive, the McKids Video series will get kids on their feet to join in the action. Fueled with contemporary, hip music and hosted by Ronald McDonaldTM, each 30 minute live action show will take kids on interactive adventures, interspersed with energetic music videos. Kids may learn about teamwork in a participatory soccer segment, or experience the galaxy as they magically zoom through space. They will also learn about children who live in different parts of the world.

Books

The McKids Books Series introduces a new line of interactive books to engage, entertain, educate and enlighten kids. The books teach and encourage kids to be creative, and make reading and learning fun.

"McKids is a powerful example of how our new Brand direction is driving change, creativity and opportunities throughout all aspects of our business," said Light.

McDonald's is the world's leading food service retailer with more than 30,000 local McDonald's restaurants serving 47 million customers each day in more than 100 countries. More than 80 percent of McDonald's restaurants around the world are owned and operated by independent, local businessmen and women.

McKids is a new active lifestyle brand for kids featuring apparel, footwear, toys, games, videos/DVD, music, books and other fun products with the quality and value parents expect from McDonald's. The new McKids brand will be introduced beginning in Spring 2004 in the U.S., Canada, Mexico, Japan, China, Australia, Korea and Taiwan, with additional countries to follow.

5.2 Price

Value meals are very popular with consumers and would have to be kept on. However, the items within the value meals can be changed in order to change prices slightly. Since most fast food restaurants operate within similar price ranges. excessively discounting the company's food may have the adverse effect of starting a price war where everyone loses out on profits. Therefore, keeping the products priced competitively and at a good value to both the consumer and the company is essential. Any large increases in price would have to be offset by showing the consumers the more value that they would be getting from the meal. otherwise price increases would drive consumers away to competitors. Smaller incremental increases, through changes in the value meal items, could be done without attracting too much negative attention.

5.3 Place

The company would have to develop its franchising agreements as well as its potential franchisee base in order to grow and further expand in the country. By encouraging people to come to McDunald's seminars and promoting what benefits they can receive through being part of the McDonald's corporation in the form of franchisees, the company could create active interest in entrepreneurs. An intensive coverage of the markctplace is advantageous in getting ahead of competitors within the fast food industry.

5.4 Promotion

Promotional strategies that the company would use are those that have long-term results and that would help to retain consumers, such as further developing their Ronald McDonald club for children, which is a membership-style program that consumers can sign their children up for. There would be small gifts the company would give, and a newsletter sent each month with some members-only coupons and discounts.

This idea could be used for adults as well, in the form of a membership sign-up for an loving it" club that could include newsletters that would help people get the most from their lives. It could include such things as associated coupons or offers from companies such as gyms, movie theaters, or schools that would have partnerships with McDonald's to offer discounts to consumers.

The membership-style program would enable the company to have loyal. retained consumers who would see the company as a caring organization who takes time to give them information and knowledge about topics that are important to them, making them come back for repeat purchases at the company's outlets.

Another way the company can promote would be to have a unified, global marketing campaign, like the "I'm loving it" campaign and packaging, that would enable the consumers to think of McDonald's as a more human, more approachable organization than competitors and help foster a better relationship between the company and its consumers.

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VII. EVALUATION OF MARKETING PLAN

The company's short-term and long-term goals would enable the company to maintain its market share and to perhaps get a larger share from the market. As with all plans, there is a need to follow up and evaluate the plans' effectiveness in regards to the objectives and what the company intended.

The evaluation of marketing plans and strategies come from the follow-up stages afterwards. This is where such things as benchmarks and market research come into play, because these are the tools that marketers use in order to see whether or not they have been on track, with regards to such things as company sales and advertising campaign results.

In the business world, it is quite common that the unexpected situations will occur. To keep up with this changing business environment, the company needs to be aware and alert at all time while conducting the business. Even though the company has already planned the marketing plans, contingency plan must be made in order to handle the problems if the following situations are occurred.

In the present day, many people are concerned about health and environment more than in the past. Using good natural resource, food quality and safety. minimizing emissions that contribute to pollution, energy conservation, waste management, reduce and recycle materials are the action plans that the company would be concerned with and they can attract more customers.

The company will conduct marketing research to find out the reasons why sales projections are not achieved. This enables the company to discover the attitude and lifestyle of customers toward the company's product. which helps to suggest the corrective action. For example, a focus group discussion could be created and several consumers would be on the panel in order to discuss the various products, their perceptions of the food, and other issues. This would enable the company to see what the consumers think, feel, and believe.

If competitors start to heavily cut prices, the company should not cut price of their own foods, because this would lead to aggressive pricing wars that would lead to everyone losing. Creating new channels of distribution and improving product differentiation such as improving features or implementing innovation in the manufacturing process are advantage over competitors. Learning about the strengths, weaknesses, opportunities, and threats of a company and its competitors, is essential to improve company strategies and the short term and long term marketing plans.

In regards to such things as the advertising campaigns and the promotional events of the company, having focus groups or surveys that ask people of their opinions about the campaigns would let the company know about people's reactions and how they feel ?bout these advertisements. Having communication with consumers is extremely important, because it is always necessary to have feedback when dealing with communicating messages to another person, especially to make sure that the message the company wants to communicate is the same message that the consumers understand.

VIII. CONCLUSIONS AND RECOMMENDATIONS

8.1 Conclusiens

The McDonald's corporation was reviewed in this project, and an analysis was made of the internal and external factors that were relevant to the company and to the market situation. Then a survey of competitors and their strengths and weaknesses was stated so that there would be understanding about the competitors within the industry. The marketing plan is done by using secondary data as the major source of information, and the secondary data ccmes from various sources such as newspapers, articles, journals, internet, etc. After the author found out all the related information and understood the current situation of McDonald's corporation, the author has created short-term and long-term marketing plans that could enhance the performance of the company. There was also a statement in regards to the evaluation of the marketing plans that were developed as well.. There was also a review of various literatures in regards to the marketing mix, the environmental forces, and the other issues that are related to marketing and would help in creating a better marketing plan for the company.

Once the marketing plans for the short-term and long-term periods are established, the company can use these campaigns as guidelines. Besides the marketing plans, the company would also have information and better knowledge about its competitors' strengths and weaknesses. which would better help the company make decisions the could enable them to come out on top of the competition in the marketplace.

After the plan is implemented. the company will be able to evaluate the plans through market surveys and focus groups that would concentrate on what the consumers feel and understand with regards to the company's campaigns. Consumer surveys and research would be used in order to establish feedback from consumers and find out how effective the company communications have been. If the plan is not successful and the company has done everything it could, the company then must use contingency plans.

8.2 Recommendations

Because of the fast pace that the fast food market develops, the company cannot stay still. The industry is fiercely competitive, and consumer opinions change all the time. The company would have to keep developing its products and further its own knowledge of consumers' needs and wants, in order to fulfill them and satisfy consumers. This would lead to customer retention for the company.

The company would need to expand and have intensive market coverage in order to have the advantage of being convenient for consumers to go to. With this in mind, the company would need to further develop its franchising agreements and promote itself and the benefits that franchisees would receive. This would stimulate interest in becoming entrepreneurs in the McDonald's corporation, thus giving the company an advantage of having many convenient outlets.

In addition, one of the major changes in the past few years is consumers' attitude toward their health and toward what is known as "junk food," which fast food is part of in the consumers' mind. Because of the impact of a new health-conscious paradigm in people's way of thinking, there is a need to show the consumers quickly that McDonald's is adapting itself and changing its values to better reflect what the consumers feel is important. For example, the company could offer its burgers with leaner meat that has less fat, or use different cooking oils for frying in order to lower cholesterol levels and grease levels. It can also develop new healthier choices for its menus, such as burgers with whole-wheat bread slices or healthier cuts of meat.

The normal foods can be modified slightly to become healthier. The meats that are used can be the leaner parts, which would help in reducing fat and cholesterol. In addition, as previously mentioned, condiments such as the mayonnaise that is used for flavoring can be changed to the "light" version where fewer calories and fat are included in them. The company could offer its burgers with leaner meat that has less fat, or use different cooking oils for frying in order to lower cholesterol levels and grease levels. It can also develop new healthier choices for its menus, such as burgers with whole-wheat bread slices or healthier cuts of meat. More varied menu choices, such as fish or chicken breast burgers, could also be implemented. Different processes in preparing the food could also be used to result in healthier versions of foods — for example, French fries could be fried using oil that has lower cholesterol content.

These new additions and choices would enable McDonald's to fight the image of being "junk food" — the company can point towards its innovations with food and talk about how it has been changing its procedures and methods in order to keep up with the changing priorities as well as through its care for the consumers.

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