McDonald’s Situation Analysis

Group 4

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Situation Analysis

Group 4 was tasked with examining the issue of negative brand perception by consumers and the effects it has on McDonald’s. Negative attention from the public has become a growing issue not just within the company, but the fast-food industry as a whole. McDonald’s has been able to counter the negative publicity due to the vast amount of store locations within the U.S. and the consistent push to be a global leader in the industry. McDonald’s sales have increased in all areas of the world, especially in Europe, where sales have increased 5.6% since February (Struck, 2011). Nonetheless, McDonald’s has reached at the new trend of a healthy lifestyle by incorporating a substitute salad or apple slices when preferred, but this strategy hasn’t lived up to the expectations that McDonald’s had of being viewed as a healthy food chain. Competitors have also moved away from the cheap meal ingredients to drive down the cost and have evolved to fit with customer preferences. Negative customer perception of this company won’t hurt profits in the short-run, but the long-term effects and unknown.

Group 4 recommends that McDonald’s take the following actions to change the negative brand perception:

1. Focus on changing the perceived quality of food
2. Ensure the best customer experience
3. Continue promotions that improve brand image.
Company and Industry Analysis

McDonald’s Corporation is in 119 countries around the world. 33,000 locations serve over 68 million customers each day (Data Monitor, 2011). When it comes down to the McDonald’s as a brand and fast food industry, the sales are high, but the brand perception is not keeping up with the pace. Rated the world’s number 6 brand by Interbrand, McDonald’s brand is negatively perceived by the public (Morrison, 2011). A few factors that influence the negative effect on McDonalds brand perception include the issue of obesity, the involvement of animal cruelty, social media commentary, and targeting an innocent audience with manipulation.

The Growing Negative Image That Obesity is Creating

Reading headlines in the most reputable newspapers saying, “McDonald’s is the responsible for the obesity epidemic”, is harsh (Phillips, 2006). Just reading that headline can quickly alter a person’s perception about the brand. Obesity side effects may include self-esteem issues, depression and anxiety. In this generation, popular culture continues to hold thinness as the physical ideal. When looking at McDonald’s brand perception, they are extremely affected by obesity criticism as a result of their unhealthy foods. People are viewing McDonald’s as a restaurant that can easily be the cause of obesity, which is detrimental to its brand. The constant criticism began in 2003 and the following year in 2004, McDonald’s suffered its first major loss in profit due to the impact of how badly their image was affected (Goldie, 2006).

There have been a number of observational studies that show the association between frequent fast food intake and weight gain (Stender, Dyerberg, & Astrup, 2007). The fast food industry offers more convenience and more availability. For example, without access to supermarket
fresh products at relatively late hours, you’re more prone to choose an unhealthier alternative due to the availability (Joyce, 2011). Along with the large portion sizes, fast food is also characterized by high-energy density, which is high energy content/food-weight ratio (Stender, Dyerberg, & Astrup, 2007). Thus, the fast food industry influences terrible eating habits, which is how it is associated with obesity.

**Negative Reactions to “Pink Slime”**

In relation to the accusations that McDonalds being responsible for the obesity growth, “pink slime” has been a critical issue as well when it comes to negative effects on McDonald’s brand perception. What exactly is “pink slime”? Pink Slime is technically called ‘boneless lean beef trimmings’ (Stender, Dyerberg, & Astrup, 2007). This product has been used in burgers by fast food restaurants as well as in hotdogs. Earlier this year, an episode of Jamie Oliver’s Food Revolution brought to the attention of what “pink slime” was and what chains are using it. After explaining that the trimming consists of what’s left of the meat after all the choice cuts of beef are taken, consumers did not respond positively. In the U.K, “pink slime” is instead used for dog and chicken food. The uproar of “pink slime” was indeed a result of McDonald’s taking a hit. The “pink slime” cause consumers to think twice about what they were actually consumer on a daily basis. “Was this healthy?”… “Was this legal?” The most important factor in brand perception is the company’s product quality. The “pink slime” turmoil definitely caused a lot of negative feedback on McDonald’s brand perception.

Much of the public are unaware of what happens to their food before it arrives on their plate. When consumers find out everything the fast food industries don’t want them to know, it
becomes an uproar. Although the brand portrays a clean and bright image, the food quality is displaying something completely different, thus having a negative view to the public. The more people continue to complain about processed foods within the fast food industries, the more negative the outcome will be which is affecting the perception in the end.

**Animal Cruelty**

Next, animal cruelty is a huge factor in how McDonald’s brand is negatively perceived. Recently, McDonalds Corporation cut ties with Central Valley Meat Company (Hsu, 2012). This sudden decision was made due to the result of undercover footage from an animal welfare group. This particular video showed cows at the California slaughterhouse being tortured and mistreated. Although McDonald’s no longer gets their meat from Central Valley, the brand definitely took some hard criticism. The larger focus became McDonald’s association with animal cruelty. The gruesome images and videos of mistreatment made it even worse for the brand perception. Whether McDonald’s had known about the mistreatment of these animals or not, their brand was still tainted.

Several articles, including gruesome images, display what fast food industries are associated with in relation to animal abuse. Consumers are not only mortified, but will no long want to support the fast food industry if they see that they are associated with or condoning the slaughtering of animals just for their product. Consumers are becoming highly aware of how the fast food industry takes measures to treat animals (Hsu, 2012). With animal cruelty incorporated within fast food industries, the perception is negatively affected.
Social Media

In this age, there are so many new fast advances in technology. It’s important to the brand itself the types of media they use to promote their products through advertisement. It’s also important to understand the advantages and disadvantages when advertising on social media. For instance, McDonalds chose Twitter as a social media where they could promote our further launch their company. In this particular case, McDonald’s used the hash tag “#McDStories”, to ask customers to share their best experiences. On January 18, 2012, this simple hash tag was used to create attacks against McDonald’s instead of sharing great experiences within the company. The tweets included labor conditions, health concerns, and quality of the products. The Twitter experience negatively portrayed McDonalds’s, which in the end affected the brands perception completely. This was a “branding suicide.”

Types of social trends that have led to a negative perception with the fast food include Twitter and Facebook and several different blogs. As previously stated, when promoting your product through advertisement in social media, there are several advantages and disadvantages (Oxbridge Writers, 2011). The fast food industries are taking a huge risk in using social trends, such as Twitter. Fast food industries are usually looking for good outcomes when using social trends. The social media is so open to individual opinions; fast food industries receive an incredible amount of unforeseen negative feedback. For instance, once a negative feedback is on the Internet, it circulates to the next big social trend and so on. Therefore, although social trends can be used to promote the fast food industry efficiently, they also lead to a negative perception.
Poor Management

Overall, the level of poor management in various locations affects McDonald’s brand perceptions. Poor management falls down to bad customer service as well. There are several reviews open to the public that indicates that type of management McDonald’s allows in their company. Different locations have managers that don’t necessarily manage the company properly; they alienate the staff, drink away the profits and steal the money. The entire brand perception is being compromised due to managers who don’t take the money or business reputation seriously.

Customer complaints have a huge affect on the fast food industry perception. The top ten reasons fast food industries fail include poor management (Mealey, 2007). Poor management will not only affect the brand perception, but the entire fast food unit. Consumers will no longer be willing to spend money at the type of restaurant that has great food but poor service and management skills. The customer service is a direct reflection of the management. If the management is poor, the employees working for the company are giving poor service that will result in negative customer feedback.

Targeting Innocent Children

Finally, with the use of toys in each Happy Meal, McDonald’s is guilty of targeting children with manipulation. Concerned parents everywhere are replying with negative feedback. In 2007, McDonalds ran an advertising including Happy Meal coupons on the report card covers of school kids. Students who earn all A’s and B’s, have two or fewer absences or exhibit good behavior are entitled to a free Happy Meal at a local McDonalds. While infuriating parents,
McDonald’s brand perception is yet again being negatively affected. Parents are initially concerned with the poor incentive McDonald’s is offering. While parents are teaching their children about good versus bad food, McDonald’s is taking advantage of their children with Happy Meal coupons. The brand perception was negatively affected at this time due to the toxic effect McDonald’s tried to have on young children.

In the fast food industry, children as well as adolescents are being affected by the consumption of fast food. Children are easily associated with the negative impacts on nutrition and health. The most frequent consumers of fast foods are children and people in their teens and twenties (Imus, 2012). The appeal of the fast food industry includes convenience and relatively inexpensive items. While the fast food industries are manipulating a young audience, the frequent consumption of their product has an end result that initially leads to obesity. It’s necessary to limit fast food advertising towards kids; therefore, lowering childhood obesity rates.

**Competitive Analysis**

From a competitive standpoint McDonald’s brand perception is falling behind in contrast to related companies in the fast-food industry. McDonald’s has a brand image right now that is pretty poor due to some main issues surrounding poor food quality, the lack of restaurant appeal, and poor advertising. Panera has adopted a healthy food campaign that has proved successful, while YUM! Brands have re-invented some of their food chains menus, completely flipping them over to improve the quality of food, and by doing so have received some positive approval. McDonald’s competitors, Panera Bread and YUM! Brands, have worked hard to create a
respected brand image within their communities, while McDonald’s seems to be stagnant in changing their public brand image.

**Perception of Food Quality**

Quality of food at major fast food restaurants has become an area of concern for the public in the recent years. Panera Bread has a quality of food that is perceived by the public as healthy and good tasting at the same time. What Panera has done well is adjust to the changing demand for organic food by the U.S. consumer. There is an increase preference for natural, fat-free and healthy food products, and by Panera Bread offering a range of organic foods, yogurt, cookies and milk, “organic foods would favorably impact the company” (Datamonitor, 2008). Image if someone after a workout at the gym said instead of going to Panera to get a fresh salad or healthy sandwich, the customer chose McDonald’s instead. Panera has a reputation for being a part of the individual’s lifestyle, meaning the satisfaction and delight the customer receives after eating a healthy and reasonably priced meal is a good feeling that leaves a lasting imprint on the customer’s perceived perception of Panera Bread.

YUM! Brands is in a similar boat with McDonald’s currently after Taco Bell took some heat on the quality of their meat. Around two years ago it came out that Taco Bell, like McDonald’s, was using more chemicals and additives than meat. Therefore, Taco Bell launched a campaign to fix the public’s brand image of Taco Bell. “At Taco Bell, it's bringing on breakfast and testing upscale menu items from celebrity chef Lorena Garcia to better compete with Chipotle Mexican Grill” (Marilyn, 2012). In order to fight back against the claims of their food quality, Taco Bell
ran ads on websites, in papers, and through social media with full disclosure of their taco meat ingredients, thus improving the public’s attitude towards YUM! Brands.

The quality of food that is produced and sold has contributed to the negative brand image that is currently troubling McDonald’s. There is an increased awareness towards healthy living by the fast food consumer, and Panera Bread and YUM! Brands are progressing to meet the needs of their consumer. McDonald’s is falling behind in this change, having an adverse effect on creating a favorable brand image. Food quality would be a sensible way of improving the brand image that McDonald’s currently has relative to the competition.

**Restore the Restaurant Experience**

At the core of McDonald’s was the experience of fast meal and a reasonable price with a great dining experience. Is that really the case today, a restaurant environment? When a customer walks into Panera Bread or Pizza Hut they know exactly what they’re going to get, a restaurant atmosphere with a relatively clean and friendly environment. Compared to McDonald’s when sometimes the drive-thru is preferred because of long lines and wet floor, the customer is driven away from the restaurant experience. Recently Panera Bread was named in Business Week’s top 25 “Customer Service Champs” (Parish, 2009). Panera exceeded in meeting customers dining needs by providing fresh baked goods, soups, and salads while offering extra complimentary dining needs. McDonald’s didn’t meet the expectations to be considered on Business Week’s list. “Panera is taking the long-term view of corporate success and building a devoted return-customer base” (Toops, 2012). Panera has relied on creating the best fast-casual restaurant
experience and their efforts are paying off. “Panera is a classy place. You wouldn’t sit in at McDonald’s to have lunch” (Rockwood, 2009).

Pizza Hut is also doing more to improve the restaurant feel. In 2009, Pizza Hut launched a big campaign, “Pasta Hut” to bring consumers aware of the changes that were being made. Pizza Hut introduced this campaign for the main purpose of increasing the talk ability of Pizza Hut. “We wanted to highlight the many changes that have taken place in the last few years, including our extensive restaurant refurbishment program” (Nicholls-Magielson, 2009). Even though Pizza Hut is generally regarded is a delivery service restaurant, improvements were made to the insides of restaurants in order to improve the quality of the dinning in experience. Pizza Hut’s improvement to their internal restaurants shows that they care about the consumers experience while dinning-in.

The public’s opinion is that McDonald’s has lost the total restaurant feel due to the poor management at the individual store level. The drive-thru has been a great source of revenue and sales for McDonald’s but at the expense of taking away the restaurant feel. Maybe a reason for the drive-thru being so successful is because the dinning in experience at McDonald’s is very poor. Panera Bread and YUM! Brands, especially Pizza Hut, have worked hard to improve their dinning in experience for the consumer because a desirable place to eat compliments the brand image. McDonald’s brand image would benefit if the company mimicked their competition and worked on improving the dinning in experience.
Increase the Advertising

It seems that every time Pizza Hut has a new healthy topping on their pizza it is all over the TV screen, or is being published for the Pizza consumers everywhere to see. When Taco Bell had a bad image of their quality of meat, the CEO was making it well-known to the public that there was going to be significant changes. Making these changes well-known to the public was a good way of these companies to reach out to the public and show that they understand concerns within the fast food industry and are making changes to adapt to consumers. Panera is also released a new slogan, “Make today better.” This new ad campaign is costing Panera $40 million and really does seem to have some sincerity to it (Gutman). The goal in this campaign was to elevate Panera from a brand that customers prefer, to a brand that customer’s love. “It’s a collective optimism that suggests the opportunity to improve is around us” (Gutman). Panera truly does want a great dining experience for their customers and this slogan is an inviting one. Panera is suggesting to the consumers to come and enjoy “our” brand experience because it does exceed their competitions.

Taco Bell has also made a big advertising effort for Lorena Garcia, who is a well known Chef within the industry. She was brought in by Taco Bell to improve the menu and to introduce a new “Cantina Taco Bowl.” For the last four months, every Taco Bell advertisement incorporates Lorena and her new cantina bowl into the commercial. These advertisements highlight the new ingredients that Taco Bell is introducing to make their product better. To go along with the new Cantina Bowl, Taco Bell is offering a guarantee that the customer will love it or they will receive a free meal of choice on Taco Bell. This has been an effective advertising effort by Taco Bell in hopes to improve their image as a fast food restaurant for the better
Besides a sloppy effort of trying to promote healthy changes to the Happy Meal, McDonald’s hasn’t done much advertising to show improvements the company has made. Recently McDonald’s has decreased the amount of salt in a Happy Meal by 40%, fat by 28%, and sugar by 21%, yet there has been no strong effort to advertise these changes. “McDonald's has already reduced the salt content of its Fries in the UK by 24% and the salt in Chicken McNuggets by 30%” (Clark, 2006). Becoming more active in advertising is a way to show the public that McDonald’s is putting forth a sincere effort to produce better product to improve the brand image. In the next section, a SWOT analysis of McDonald’s will show ways of reversing the negative image trend.

**SWOT Analysis**

In this section, I will analyze McDonald’s strengths, weaknesses, opportunity, and threats. McDonald’s strengths that have contributed to its positive growth are healthier menu, advertising, promotion, and large global presence. Some of McDonald’s weaknesses are poor brand image amongst the public, customer service/quality of employees, and food quality. Next, McDonald’s has been taking opportunities to increase people’s awareness on its healthier and new items, marketing through social media, and ability to hire more employees. Last, the threats that McDonald’s have are increasing food and raw material prices, competition in retail food industry, government regulations on fast food, social media, and animal cruelty.
Strengths

McDonald’s is the number one fast food company by sales in the world, which means it must have strengths. Their sales rose 5.6% last year and it is the eighth consecutive year of positive growth (Skinner, 2012, p. 1). Some of the reasons due to its positive growth are convenience, large global presence, healthier menu, advertising, and promotions.

Convenience and global presence

One of McDonald’s biggest strengths is having consistently fast service for customers. This convenience draws a large portion of its customers. “McDonald’s drive-thru estimated at more than two thirds of the chains U.S. business” (Morrison, 2012, p. 2). Since everyone is in a rush this day and age, McDonald’s is the most convenient place to go.

McDonald’s has a large global presence with over 33,000 plus location in 119 countries. With all of these operating locations they are able to serve 68 million people a day (Skinner, 2012, p. 1). It is clear that McDonald’s has a strong global presence.

Healthier menu

McDonald’s has added new healthier items to its menu. By introducing carrot sticks, apple slices, and other low calorie items. In addition, “McDonald’s announced a revamp of the happy meal, with fewer fries and more fruit, among other changes” (Morrison, 2012, p. 3). Even though sales for these items are low, it is still making McDonald’s look better. Customers feel better going to McDonald’s with these options even if they do not purchase them or throw them out. “Industry experts credit McDonald’s for recognizing an opportunity in offering healthful fare, as
well as being savvy about owning every part of the day with items such as snack wraps” (Morrison, 2012, p. 4).

**Advertising and promotions**

“McDonald’s is the 26th largest advertiser in the country, with a budget of nearly $888 million for U.S. measured media, according to Kantar Media” (Morrison, 2012, p. 2). With this large budget they are able to have strong advertising everywhere. “In recent months, McDonald’s rolled out its popular Monopoly promotion, pumped up Dollar Menu advertising, teased the upcoming return of the McRib and launched new products such as the higher-end Cheddar Bacon Onion sandwich” (Hsu, 2012). In addition, McDonald’s advertises the happy meal with toys and the clown mascot to attract kids. By attracting kids, McDonald’s is able to bring in more families. McDonald’s advertising has been a success with its sales rising.

Have you ever had a McDonald’s coupon? With promotional coupons McDonald’s is able to get tons of people to the restaurant. McDonald’s also has a lot of fundraisers and charity events, which help bring customers to the chain.

**Weaknesses**

With any successful company there are weaknesses. It is not necessarily bad to have a weakness because it can be improved. Some of McDonald’s weaknesses are poor brand image amongst the public, customer service/quality of employees, and food quality.
**Brand image**

“Its brand perception isn’t keeping pace with sales. According to people close to the company, its internal tracking system finds that McDonald’s consistently ranks near the bottom in quality perception when compared with rivals” (Morrison, 2012, p. 1). This is definitely a weakness to be ranked in the bottom of quality perception. McDonald’s brand image is seen negative because of it has low quality restaurants, customer service, employees, management, and food. Also, one executive close to the business said, “McDonald’s is primarily seen as a burger and fries chain. Until they can change that view, they’re going to have a hard time exponentially growing” (Morrison, 2012, p. 2). This image of McDonald’s makes it hard for them to grow.

**Customer service/quality of employees**

McDonald’s has weak quality of customer service and employees for a couple of reasons. If you are not working for the corporate side of McDonald’s then you are on a dead-end track, which is most of its employees. Higher quality employees simply do not want a dead-end track job. In addition, McDonald’s pays employees very low wages because they can. Therefore, inexperienced low quality employees work at McDonald’s restaurants. With these types of employees its customer service becomes weak.

**Food quality**

“The company is getting slammed when it comes to taste, quality and healthfulness – characteristics that more consumers are starting to pay real attention to when deciding what to put in their bodies and feed to their kids” (Scharwath, 2012. p. 1). Most people who think of good quality food do not think of McDonald’s. People who can afford higher quality food will
usually avoid McDonald’s. McDonald’s food has loads of calories and no nutritional value. This is a weakness that McDonald’s still needs to work on.

**Opportunities**

As a large fast food restaurant McDonald’s has plenty of room for new opportunities to grow and change. In recent years, McDonald’s has been trying different ways to increase its revenue. Some have been successful and some have not been. McDonald’s has been taking opportunities to increase people’s awareness on its healthier and new items, marketing through social media, and the ability to hire more employees.

**Healthier and new items**

McDonald’s spends around $888 million in advertising a year, which goes towards spreading the awareness of its new options. “McDonald's scrapped its supersize menu and added healthier options like salads and apple slices, which lured mothers and got the critics off its back. McNuggets were changed to include only white meat, putting an end to jokes about "mystery meat and milk was offered in small bottles rather than cartons” (Martin, 2009). This opportunity of new options has done well and has slightly changed the face of McDonald’s.

**Social media**

With the huge popularity of Facebook and Twitter McDonald’s has been able to take the opportunity to spread the word about its selection of items. This can be good or bad for them. In the next section you will see how social media can also be a threat.
**Hire more employees**

“In April, the company sought to add 50,000 employees to its already 600,000 strong U.S. workforce on what is called national hiring day. The event was created by Citizen2, an agency whose approach is based on strategy that is oriented to managing and shaping opinion” (Morrison, 2012, p. 4). McDonald’s is taking this opportunity by hiring more employees, in order for people to have a better opinion about them.

**Threats**

Like any company McDonald’s has threats it needs to manage. If a company does not keep a close eye on their threats it can ruin them. McDonald’s also needs to manage them, so they do not get out of hand. Some of the threats that McDonald’s has are social media, increasing food and raw material prices, government regulations on fast food, competition, and animal cruelty.

**Social media**

The social media has become a serious threat for McDonald’s. “It’s no secret that the rush of consumers and advertisers to Facebook and Twitter has made it ever easier for the masses to be heard -- and for brands to mess up. The minefield of customer commentary has been a part of the conversation since the dawn of social media, and the various high-profile brand blowups over the years have been well documented’” (Beltrone, 2012). People have posted negative things about McDonald’s that have drawn the attention to millions of viewers.
Increasing food and raw material prices

Every company in the food industry has the threat of increasing food and raw material prices. McDonald’s must find ways to keep its prices low even with higher prices. This is a threat because McDonald’s has to obtain different ways to keep prices low and keep the dollar menu.

Government regulation on fast food

Government regulations are a threat that can hurt a company. For example, in New York they banned selling 20oz cups. McDonald’s has adjusted by selling two drinks for cheaper. There is not much McDonald’s can do except for follow the rules and protest against them.

Competition and Animal cruelty

McDonald’s has a large competition including Burger King, Wendy’s, Taco Bell, etc. This will always be a threat that McDonald’s has to deal with. Animal cruelty has been a threat for all companies in the food industry. “Late last year, McDonald’s dumped one of its suppliers, Sparboe Farms, after reports of unsanitary conditions and animal cruelty” (Morrison, 2012, p. 3). There are still other suppliers that could be doing similar if not the same cruel animal practices that have not been caught yet. At least, McDonald’s is trying to eliminate the threat of animal cruelty. In the next section, a market analysis will show how brand perception has affected people, product, place, price, and promotion.
Market Analysis

Despite negative brand perception, McDonald’s is still growing and is bigger than it has ever been. However, McDonald’s could further increase its growth and profits by improving its brand perception, which is now one of its top priorities. McDonald’s strategy to reach this goal is its “Plan to Win” (Skinner, 2012, p. 3). This plan involves adjusting strategies within the areas of people, products, place, price, and promotion in order to enhance the customer experience across the entire business (Skinner, 2012, p. 3).

McDonald’s Maintains Majority of Worldwide Market Share

Serving over 68 million customers every day, McDonald’s has maintained the market share lead around the world for years (Skinner, 2012, p. 1). According to the 2013 edition of Market Share Reporter, the two companies with the largest market share are McDonald’s with 7.2%, followed by Burger King at 6.8% (Burton, Lazich, 2013, p. 822). Global comparable sales increased 5.6% in 2011, which is the ninth consecutive year of same store sales growth (Skinner, 2012, p. 1). Also, operating income grew 10% in constant currencies (Skinner, 2012, p. 1). However, many customers and potential customers perceive McDonald’s negatively, which, in turn, negatively affects both sales and growth.

McDonald’s Aims to Broaden Customer Base

McDonald’s has always played the role of the place to go for cheap, quick food. This is why the majority of McDonald’s customer base has historically been “deal seekers” (Munarriz, 2012). McDonald’s has recently tried to transform the public perception that it is a ‘cheap food’ restaurant into a perception of a more upscale restaurant by “adding fancy McCafe beverages and
artisan salads” to their menus (Manarriz, 2012). However, a dip of 1.8 percent in global same-store sales during the month of October made McDonald’s realize that it may not be ready to broaden its customer base into the higher-income bracket just yet (Munarriz, 2012). With these more expensive items, it was McDonald’s hope that its customer base would broaden to include people who are willing to spend more money on food, however, these items discouraged the “deal seekers” from coming (Munarriz, 2012).

McDonald’s will continue working to improve customer’s perception of the brand in order to broaden its customer base by adjusting its product, pricing, place, and promotional strategies until they find the right combination of the four that yields maximum appeal to all income brackets.

**McDonald’s Ranks Near the Bottom in Food Quality**

Compared to competitors, McDonald’s consistently ranks near the bottom when it comes to food quality (Scharwath, 2012). This ranking brings with it a negative connotation concerning McDonald’s food and causes people to think negatively of the McDonald’s brand. Contributing to this poor ranking is McDonald’s use of ‘pink slime’ to create its burger patties. This ‘pink slime’ is formed by combining ammonium hydroxide with the leftover meat after all the choice cuts of beef are taken (Rosenbaum, 2012). This causes people to perceive McDonald’s burgers as extremely low quality, artificial, and hazardous to their health. Another contributing factor is the reports of unsanitary conditions and animal cruelty that surfaced about McDonald’s meat suppliers, specifically Sparboe Farms (Scharwath, 2012). It was discovered that Sparboe Farms and other meat suppliers house their animals in tiny crates until they are slaughtered. These
horrible animal living conditions weaken McDonald’s brand image and, as a result, deter many potential customers who do not want to eat food that is unsanitary or made from abused animals.

**McDonald’s Plans to Bolster Product Image**

McDonald’s has helped to improve its product image by recently stopping the use of ‘pink slime’ to make its burgers as well as ending relationships with suppliers who do not possess sanitary facilities or who practice animal cruelty (Scharwath, 2012). In addition, according to Jim Skinner, “Menus are more extensive, diverse, and relevant than any other time in our history.” (2012, p. 1). A wider variety of menu items that people want to eat will surely attract more customers. Also, McDonald’s plans to continue expansion of its growing line of McCafé beverages, from specialty coffees to real fruit smoothies, “differentiating their brand as a beverage destination” (Skinner, 2012, p. 2). This line of beverages expands McDonald’s into an entirely new market, increasing product exposure and hopefully its customer base. Finally, in McDonald’s 2011 annual report, vice chairman and CEO, Jim Skinner wrote, “We’ll stay focused on adding greater choice and balanced options around the world, from wraps to oatmeal to new Happy Meal alternatives, as we stay in step with our customers’ needs.” (2012, p. 2). Skinner’s statement shows customers that even the top executive of McDonald’s is committed to expanding and adapting the current menu to fit the customer’s desires.

**Improving McDonald’s Restaurants’ Appearance and Features**

In the past, McDonald’s restaurants were a contributing factor to its negative brand perception with their outdated designs and technologies. However, much work is being done to modernize the over 33,000 McDonald’s restaurants worldwide to create a more inviting and pleasant
atmosphere for customers (Skinner, 2012, p. 2). According to McDonald’s 2011 annual report, “new features and technologies that are making the drive-thru, ordering, and payment processes easier” are being added to McDonald’s restaurants (Skinner, p. 2). Some examples of these features and technologies include:

- multiple drive-thru speakers to serve customers more quickly
- touch screens for easier and more efficient order placing (Skinner, p. 1)
- credit card terminals at registers for customer convenience

Additionally, McDonald’s is moving ahead on reimagining efforts, remodeling a growing number of restaurants with contemporary new designs. As of the end of 2011, roughly 45% of restaurant interiors and 25% of exteriors were reimaged around the world (Skinner, 2012, p. 2). Although McDonald’s is moving in the right direction, the company still has about 18,150 restaurants with outdated interiors and about 24,750 restaurants with outdated exteriors. These outdated restaurants have a negative effects on brand perception and constrain McDonald’s from reaching its full potential. Lastly, over the last few years, McDonald’s has been extending business hours in order to maximize distribution, with many locations being open 24 hours. The increase of operating hours puts McDonald’s with only a handful of other quick-service restaurants that are able to serve those customers who want a late-night meal.

**Value Pricing is McDonald’s Primary Pricing Strategy**

McDonald’s goal regarding pricing is to “deliver strong value across every price tier” (Skinner, 2012, p. 3). To accomplish this, McDonald’s uses pricing strategies such as value-based pricing, competitive pricing, and bundling. McDonald’s prices are primarily based on the customer’s perceived value of the items and the fact that McDonald’s provides quick service and the ability
to order and obtain food without ever leaving their vehicle only adds to the value. It costs McDonald’s very little to produce its menu items, but it can charge more because customers will pay more.

**Dollar Menu Keeps McDonald’s Prices Competitive**

Because the quick-service industry generally uses perceived value to price its items, there is room to lower prices through competitive pricing and bundling. The best example of McDonald’s use of competitive pricing is its Dollar Menu, which was developed in order to compete with competitor pricing and increase perceived value. It attracts customers who do not have much money or do not want to spend much money, also called “deal seekers”, as well as customers who are looking for a smaller amount of food than a value meal (Munarriz, 2012). In reaction to the recent decline in Dollar Menu customers coming in, McDonald’s has announced that it will be adding two items to its Dollar Menu in December; The Grilled Onion Cheddar Burger, and a smaller version of its Fish McBites (Munarriz, 2012). McDonald’s hopes that these new additions to the Dollar Menu will bring back its biggest demographic, the “deal seekers” (Munarriz, 2012). An example of bundling is McDonald’s value meals, which include a main entrée, fries, and drink. By creating a single, easy to order menu item that includes an entire meal, McDonald’s increases the perceived value for its customers.

**#McDStories Promotion Fails**

Although some of McDonald’s promotions do not go as planned and actually negatively impact brand perception, McDonald’s promotional strategy is centered on improving its brand image. Earlier this year, McDonald’s launched a Twitter campaign to encourage customers to share their
positive McDonald’s experiences with the Twitter world. McDonald’s promoted #McDStories, even paying Twitter to display the hash tag on their homepage. However, instead of sharing positive stories about McDonald’s, many customers wrote about the negative aspects of McDonald’s, from health issues to food quality to animal cruelty (Hill, 2012). One contributor wrote, “One time I walked into McDonalds and I could smell type 2 diabetes floating in the air and I threw up.” (“#McDStories”, 2012). McDonald’s pulled the promotion only a few hours after it was launched, but the damage was done. People are still using #McDStories to express their negative opinions of McDonald’s throughout the Twitter world. Every time someone shares one of their bad experiences they had at McDonald’s, it negatively affects McDonald’s brand image.

**McDonald’s Supplier Promotion was a Success**

McDonald’s is working to improve brand perception by stopping unsuccessful promotions and launching promotions in order to show people that McDonald’s is taking steps towards healthier, better quality foods. For example, last year, McDonald’s launched a series of advertisements in response to questions about where its food comes from that showcase how McDonald’s has started buying from local farmers that produce higher quality ingredients (Buss, 2011). These advertisements tell the different stories of the farms and farmers that McDonald’s buys potatoes, lettuce, and meat from. These feel good stories promote McDonald’s support of local business and use of higher quality foods in its products, which in turn, increases brand image.
**Recommendations**

After analyzing the issue of brand perception, Group 4 consulting recommends three strategies to turn around the negative brand image that is facing McDonald’s:

1. **Focus on changing the perceived quality of food**
2. **Ensure the best customer experience**
3. **Continue promotions that improve brand image.**

**Focus on Changing the Perceived Quality of Food**

Group 4 recommends that McDonald’s put some more effort into changing their quality of food that is being served. With the changing attitude of most Americans into a healthier lifestyle, McDonald’s needs to change their attitude about food quality to keep up with the changing environment which will ultimately change the brand image of the public from negative to approval. There is a lot of evidence by public that shows there is a unfavorable attitude towards. McDonald’s recently launched a campaign on Twitter, #McStories, and the attention that was given was extremely negative. Comments ranged from “wouldn’t eat there” to “I’d rather eat my own diarrhea.”

Our competitors, especially Panera, have adapted to this new lifestyle. Panera is viewed by the public to be a healthy fast-food chain, and Pizza Hut (YUM! Brands) has made a recent push of healthy toppings and better quality of dough. Taco Bell also recently flipped their menu upside down to fix the outrage the public had towards them due to their meat problem. Striving to make a food change isn’t going to hurt McDonald’s, but ultimately in the end improve their brand image and attract new customers while satisfying current customers needs.
Ensure the Best Customer Experience

When a customer leaves McDonald’s they better leave feeling like all of their needs met. In order to ensure that the customer has the best experience possible, Group 4 recommends that McDonald’s take more of an assertive role in hiring and training managers and employees. The experience that a customer is going to have relies heavily on the managers of each location. The type of experience that the customer has is going to have a major impact on the brand perception. Bad word of mouth tends to travel further and longer, therefore McDonald’s should improve their leadership of their restaurants. Better training programs for managers would improve the leadership and therefore creating a better restaurant experience, which in turn generates better word of mouth and can turn around the negative brand perception.

Continue Promotions that Improve Brand Image

McDonald’s recent promotions, which were a huge success, revealed to the public that McDonald’s no longer buys from unsanitary suppliers who are cruel to animals, but instead supports local farmers by purchasing many of their ingredients from them. This line of promotions was successful in improving brand perception because McDonald’s answered one of the questions it gets asked the most, “Where does McDonald’s get their food?” And not only did the promotion answer the question, it made McDonald’s look extremely well in the process. In the future, McDonald’s should continue with the promotional strategy of answering customer questions by showing them the positive changes that are being made within the company.
References


