

CASE 3.2 MCDONALD'S

The World's Number One Fast-Food Company!



SPSS Data File



Excel Data File

McDonald's (www.mcdonalds.com) history began when its founder, Ray Kroc, opened the first restaurant in 1955 in Des Plaines, Illinois. The strong foundation that he built and the dedication of its talented executives have enabled McDonald's to prosper. As of 2011, McDonald's is the world's number one fast-food company by sales, with more than 32,000 flagship restaurants serving burgers and fries in more than 117 countries. The popular chain is well known for its Big Macs, Quarter Pounders, and Chicken McNuggets.

Most of its outlets are freestanding units. However, McDonald's also has many quick-service kiosk units located in airports and retail areas. Each unit gets its food and packaging from approved suppliers and uses standardized procedures to ensure that a Big Mac purchased in Pittsburgh tastes the same as one bought in Beijing. About 75 percent of its restaurants are run by franchisees with 2010 revenues amounting to \$24.07 billion. Table 1 gives the company's sales and market share in recent years.

McDonald's has always been a family restaurant. The family focus is a positioning strategy that is reflected in everything the corporation does. McDonald's knows that by targeting families, it hits one of the most attractive, loyal consumer groups available. It gets into the parents' wallets via the kids' minds. A survey of American schoolchildren found that 96 percent could recognize Ronald McDonald. Santa Claus is the only fictional character with a higher degree of popularity. The effect of McDonald's on the nation's culture, economy, and diet is hard to exaggerate.

McDonald's has not only become the number one restaurant for the children, but the 1-minute service promise, the slogan "I'm lovin' it," and introducing a "forever young" brand has also enabled it to gain a significant market share among youths and busy adults. McDonald's intends to add new features to its restaurants. For example, the "linger zone" would offer a place for customers to relax by offering armchairs, sofas, and wireless connections. The "grab and go" zone would offer tall counters with bar stools for those on the go who would like to eat alone. The restaurants would also have plasma televisions televising the news and weather reports. The "flexible" zone with booths with cushions and flexible seating would target families. For each of these zones, different music would target each customer group.

In recent years, McDonald's has extended into a café-style setting, called McCafé, to compete with the popularity of Starbucks and coffee shops in general. McDonald's is now another place for the coffee lovers to get their cup of coffee. Recently, *Consumer Reports* magazine ranked McDonald's coffee ahead of Starbucks, saying it tastes better and costs less. McDonald's coffee has "surprisingly high" appeal, with 35 percent of consumers surveyed saying that McDonald's brew got better in the past year.

McDonald's U.S. restaurants are uniting behind this new brand message and energy. They are focused on bringing the "I'm lovin' it" theme to life not only in its advertising, but also for every customer who visits its restaurants. This world-class marketing strategy is the latest element of McDonald's overall plan to continue stimulating customers through persuasive food choices, great service and restaurant operations, value, and exciting new restaurant decors. Still running in 2011, "I'm lovin' it" is a key part of McDonald's business strategy to connect with customers in highly pertinent, culturally important ways around the world. To quote Bill Lamar, senior vice president and chief marketing officer of McDonald's USA: "It will rekindle the emotional bond our customers have with McDonald's through a campaign that depicts how people live, what they love about life and what they love about McDonald's."

With the successful expansion of McDonald's into many international markets, the company has become a symbol of globalization and the spread of the American way of life. The business is managed as distinct geographic segments: United States; Europe; Asia/Pacific, Middle East, and Africa (APMEA); Latin America; and Canada. The U.S. and Europe segments each account for approximately 35 percent of total revenues, while France, Germany, and the United Kingdom, collectively, account for approximately 60 percent of Europe's revenues. APMEA accounts for 14 percent of the total revenues, Latin America for 8 percent, and Canada for 5 percent of the total revenue. The remaining 3 percent come from other sources.

As shown in Table 2, the global fast-food market is projected to grow at 5.3 percent per year through 2013. This has intensified the competition. In order to maintain and fortify its leadership position in the competitive fast-food industry, McDonald's conducted a survey. McDonald's wanted to study customer demographics and awareness of different competing fast-food chains; the satisfaction responses of consumers in

TABLE 2 Global Fast-Food Market Value Forecast: \$ Billion, 2008–2013

Year	\$ Billion	% Growth
2008	\$154.7	6.6%
2009	164.3	6.2
2010	173.1	5.3
2011	182.1	5.2
2012	191.0	4.9
2013	200.0	4.7
CAGR, 2008–2013		5.3

Source: Datamonitor.

TABLE 1 McDonald's Revenues and Market Share 2004–2009

	2004	2005	2006	2007	2008	2009
Revenues (USD billions)	\$18.59	\$19.12	\$20.90	\$22.79	\$23.52	\$22.74
Global market share (%)	15.53%	14.97%	15.40%	15.69%	15.21%	13.84%

terms of family orientation, comfort, price, quick service, healthy foods, cleanliness, and so on; and patronage preferences in terms of eat-in or drive-through. The questionnaire used follows and the data obtained are provided. Based on the data collected and analysis of this study, McDonald's intends to improve its service and brand orientation.

Questions

Chapter 1

1. Discuss the role that marketing research can play in helping a fast-food restaurant such as McDonald's formulate sound marketing strategies.

Chapter 2

2. McDonald's is considering further expansion in the United States. Define the management-decision problem.
3. Define an appropriate marketing research problem based on the management-decision problem you have identified.

Chapter 3

4. Formulate an appropriate research design for investigating the marketing research problem you have defined in Chapter 2.

Chapter 4

5. Use the Internet to determine the market shares of the major national fast-food chains for the last calendar year.

Chapter 5

6. What type of syndicated data will be useful to McDonald's?

Chapter 6

7. Discuss the role of qualitative research in helping McDonald's expand further in the United States.

Chapter 7

8. McDonald's has developed a new fish sandwich with a distinctive Cajun taste. It would like to determine consumers' response to this new sandwich before introducing it in the marketplace. If a survey is to be conducted to determine consumer preferences, which survey method should be used and why?

Chapter 8

9. Discuss the role of experimentation in helping McDonald's determine its optimal level of advertising expenditures.

Chapter 9

10. Illustrate the use of primary type of scales in measuring consumer preferences for fast-food restaurants.

Chapter 10

11. Illustrate the use of Likert, semantic differential, and Stapel scales in measuring consumer preferences for fast-food restaurants.

Chapter 11

12. Develop a questionnaire for assessing consumer preferences for fast-food restaurants.

Chapters 12 and 13

13. What sampling plan should be adopted for the survey of Chapter 7? How should the sample size be determined?

Chapter 14

14. How should the field-workers be selected and trained to conduct the fieldwork for the survey in Chapter 7?

Chapter 15

15. How should the missing values be treated for the following demographic variables: education (D5), income (D6), employment status (D7), and marital status (D8)?
16. Recode payment method (D1) by combining Debit card, Check, and Other into one category.
17. Recode number of people living at home (D3A) as follows: for adults age 18+, four or more should be combined into one category labeled 4+; for each of the three remaining age groups (under 5, 6–11, and 12–17), two or more should be combined into a single category labeled 2+.
18. Recode education (D5) by combining the lowest two categories and labeling it completed high school or less.
19. Recode income (D6) by combining the highest three categories and labeling it \$100,000 or more.
20. Recode employment status (D7) by combining homemaker, retired, and unemployed into a single category.
21. Classify respondents into light, medium, and heavy users of fast food based on a frequency distribution of S3A: In the past four weeks, approximately how many times have you, yourself, eaten food from a fast-food restaurant? Use the following classification: 1–4 times = light, 5–8 times = medium, 9 or more times = heavy.

Chapter 16

22. Run a frequency distribution for all variables except respondent ID (respondid). Why is this analysis useful?
23. Cross-tabulate fast-food consumption classification (recoded S3A, see Chapter 15 questions) with the demographic characteristics (some recoded as specified in Chapter 15): age (S1), gender (S2), payment method (D1), number of people living at home (D3A), education (D5), income (D6), employment (D7), marital status (D8), and region. Interpret the results.
24. Cross-tabulate payment method (recoded D1) with the remaining demographic characteristics (some recoded as specified in Chapter 15): age (S1), gender (S2), number of people living at home (D3A), education (D5), income (D6), employment (D7), marital status (D8), and region. Interpret the results.
25. Cross-tabulate eating there more often, less often, or about the same as a year or so ago (q8_1, q8_7, q8_26, q8_36, q8_39) with the demographic characteristics (some recoded as specified in Chapter 15): age (S1), gender (S2), payment method (D1), number of people living at home (D3A), education (D5), income (D6), employment (D7), marital status (D8), and region. Interpret the results.

Chapter 17

26. Do the ratings on the psychographic statements (q14_1, q14_2, q14_3, q14_4, q14_5, q14_6, and q14_7) differ for males and females?
27. Do the respondents agree more with "I have been making an effort to look for fast-food choices that have better nutritional value than the foods I have chosen in the past" (q14_6) than they do with "I consider the amount of fat in the foods my kids eat at fast-food restaurants" (q14_5)?
28. Do the restaurant ratings (q9_1, q9_7, q9_26, q9_36, q9_39) differ for the various demographic characteristics (some recoded as specified in Chapter 15): age (S1), gender (S2), payment method (D1), number of people living at home (D3A), education (D5), income (D6), employment (D7), marital status (D8), and region? Interpret the results.
29. Do the four groups defined by "the extent to which you find it difficult to make up your mind about which fast-food restaurant

to go to" (q13) differ in their restaurant ratings (q9_1, q9_7, q9_26, q9_36, q9_39)?

Chapter 18

30. Can each of the restaurant ratings (q9_1, q9_7, q9_26, q9_36, q9_39) be explained in terms of the ratings on the psychographic statement (q14_1, q14_2, q14_3, q14_4, q14_5, q14_6,

and q14_7) when the statements are considered simultaneously?

Chapter 19

31. Write a report for McDonald's management summarizing the results of your analyses. What recommendations do you have for the management?

References

1. www.mcdonalds.com, accessed February 12, 2011.
2. "McDonald's Offers Ethics with Those Fries," *BusinessWeek* (2007), http://businessweek.com/globalbiz/content/jan2007/gb20070109_958716.htm?link_position=link3, accessed June 18, 2007.

Note: This case was prepared for class discussion purposes only and does not represent the views of McDonald's or its affiliates. The problem scenario is hypothetical and the name of the actual company has been disguised. **However, the data provided are real and were collected in an actual survey by a prominent marketing research firm, whose name is also disguised.** Some questions have been deleted, while the data for other questions are not provided because of proprietary reasons.

Online MCDONALD'S Commitment Study Questionnaire

April 1, 2011

RID _____

Thank you for participating in our survey.

S1. To begin, which of the following categories includes your age? (CHOOSE ONE RESPONSE ONLY.)

- 1 Under 18 [TERMINATE QS1]
- 2 18–24
- 3 25–29
- 4 30–34
- 5 35–39
- 6 40–45
- 7 46 or older [TERMINATE QS1]
- Refused [TERMINATE QS1]

S2. Are you...? (CHOOSE ONE RESPONSE ONLY.)

- 1 Male
- 2 Female

S3. OMITTED

S3A. In the past 4 weeks, approximately how many times have you, yourself, eaten food from a fast-food restaurant? [ACCEPT WHOLE NUMBERS ONLY, DO NOT ACCEPT RANGE.] [RANGE: 0–99]

& DK/refused [TERMINATE QS3A]
[TERMINATE QS3A IF ZERO]

- 1. OMITTED
- 2. OMITTED
- 3. OMITTED

3a. You have indicated that you have heard of these restaurants. When was the last time, if ever, that you, yourself, have eaten from each one? (PLEASE SELECT ONE TIME FRAME FOR EACH RESTAURANT.) [FORMAT AS GRID: INCLUDE RESPONSES FROM Q1.]

- 1 Within the past 4 weeks
- 2 More than 4 weeks to within the past 3 months
- 3 More than 3 months ago
- 4 Never
- 4. OMITTED
- 5. OMITTED
- 6. OMITTED
- 7. OMITTED

8. For each of the restaurants listed below, please indicate whether you, yourself, are eating from there more often, less often, or about the same frequency as a year or so ago. [SHOW ONLY THOSE Q3a = 1 or 2]

	More often	About the same	Less often
Insert brands	1	2	3

9. I'd like you to rate the restaurants you, yourself, have eaten from in the past 3 months using a 10-point scale, where "10" means you think it is perfect, and "1" means you think it is terrible. Now taking into account everything that you look for in a fast-food restaurant, how would you rate each of the following? [SHOW Q3a = 1 or 2]

Terrible (1)	2	3	4	5	6	7	8	9	Perfect (10)
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

10. OMITTED

11. OMITTED

12. OMITTED

13. Sometimes it is difficult for people to make up their minds about which fast-food restaurant to go to on a given visit. Think about when you go to a fast-food restaurant. In general, which of the following statements best describes the extent to which you find it difficult to make up your mind about which fast-food restaurant to go to? (CHOOSE ONE RESPONSE ONLY.)

- 1 I **always know** exactly which fast-food restaurant I am going to go to
- 2 I **usually know** exactly which fast-food restaurant I am going to go to
- 3 I'm **usually undecided** about which fast-food restaurant I am going to go to
- 4 I'm **always undecided** about which fast-food restaurant I am going to go to

14. Below is a list of statements that may or may not be used to describe you in general. Using the scale of Agree completely, Agree somewhat, Neither agree nor disagree, Disagree somewhat, and Disagree completely, please indicate how strongly you agree or disagree with each statement. (CHOOSE ONE RESPONSE FOR EACH STATEMENT.)

Disagree Completely	Disagree Somewhat	Neither Agree nor Disagree	Agree Somewhat	Agree Completely	N/A
☐	☐	☐	☐	☐	☐

- 1 I try to stay current on the latest health and nutrition information.
- 2 I read nutritional labels on most products I buy.
- 3 I am making more of an effort to find out about the nutritional content of the foods I eat at fast-food restaurants.
- 4 I consider the amount of fat in the foods I eat at fast-food restaurants.
- 5 I consider the amount of fat in the foods my kids eat at fast-food restaurants.
- 6 I have been making an effort to look for fast-food choices that have better nutritional value than the foods I have chosen in the past.
- 7 I am eating at fast-food restaurants less often out of concern for the high fat content in the foods at fast-food restaurants.

These last few questions are for classification purposes only.

- D1. Which of the following methods do you most often use when purchasing from fast-food restaurants? Do you pay . . . ? (CHOOSE ONE RESPONSE ONLY.)

1. Cash
2. Credit card
3. Debit card
4. Check
5. Other

D2. OMITTED

D3. OMITTED

D3A. How many people in each of the following age groups live in your home? (PLEASE ENTER A NUMBER FOR EACH AGE RANGE. ENTER "0" IF THERE IS NO ONE IN THAT RANGE IN YOUR HOUSEHOLD.)

- A. Adults age 18+ [RANGE: 1–15]
- B. Children under age 5 [RANGE: 0–9]
- C. Children age 6–11 [RANGE: 0–9]
- D. Children age 12–17 [RANGE: 0–9]

D4. OMITTED

D5. Which of the following best represents the last level of education that you, yourself, completed? (CHOOSE ONE RESPONSE ONLY.)

- 1 Some high school or less
- 2 Completed high school
- 3 Some college
- 4 Completed college
- 5 Post graduate
- Prefer not to answer

D6. Which of the following best describes your family's annual household income before taxes? (CHOOSE ONE RESPONSE ONLY.)

- 1 Under \$25,000
- 2 \$25,000 but under \$50,000
- 3 \$50,000 but under \$75,000
- 4 \$75,000 but under \$100,000
- 5 \$100,000 but under \$150,000
- 6 \$150,000 but under \$200,000
- 7 \$200,000 or more
- Prefer not to answer

D7. Which of the following best describes your employment status? (CHOOSE ONE RESPONSE ONLY.)

- 1 Full-time
- 2 Part-time
- 3 Retired
- 4 Student
- 5 Homemaker
- 6 Unemployed
- Prefer not to answer

D8. Are you...?

- 1 Single, Separated, Divorced, Widowed
- 0 Married/Living as Married
- Prefer not to answer

Thank you for taking the time to participate in our research!

	Q1
Arby's	1
Atlanta Bread Company	2
A&W	3
Baja Fresh	4
Blimpie	5
Boston Chicken/Market	6
Burger King	7
Captain D's	8
Carl's Jr.	9
Checkers Drive-In	10
Chick-Fil-A	11
Chipotle Mexican Grill	12
Church's	13
Del Taco	14
Domino's Pizza	15
El Pollo Loco	16
Grandy's	17

(Continued)

	Q1
Green Burrito	18
Hardee's	19
In-N-Out Burger	20
Jack in the Box	21
KFC/Kentucky Fried Chicken	22
La Salsa	23
Little Caesars	24
Long John Silver's	25
McDonald's	26
Panda Express	27
Panera Bread	28
Papa John's	41
Pick Up Stix	29
Pizza Hut	30
Popeyes	31
Quiznos	32
Rally's	33
Rubio's	34
Sonic	35
Subway	36
Taco Bell	37
Taco Bueno	38
McDonald's	39
Whataburger	40
OMITTED—OTHER SPECIFY	
None	42