A PROJECT REPORT ON

"A STUDY ON MARKET SEGMENTATION OF MCDONALD'S AND ITS IMPACT ON CUSTOMER PERCEPTION"

BY-

Meet Jain

CAPSTONE PROJECT

Submitted To

DEPARTMENT OF BUSINESS MANAGEMENT

B.B.A. (Honours) In Marketing Management

Nagindas Khandwala College of Commerce, Arts and Management Studies, Mumbai- 400064

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FUTURE VARSITY

DECLARATION

I declare that this written submission represents my own original ideas, conveyed in my own words. In cases where the ideas or words of others have been incorporated, I have diligently edited and referenced the original sources. I confirm that I have followed all the guidelines of academic honesty and integrity, and I have not misrepresented manipulated or falsified any information, data, ideas, or sources in my submissions. I understand that breaking the rules above may result in disciplinary action by the institute. It may also lead to legal action from the source whose content has been used without proper editing or without obtaining the necessary permissions.



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B.B.A. (Honours) in Marketing Management

Certificate

This is to certify that Meet Jain has successfully completed the Capstone Project as a part of the B.B.A. (Honours) in Marketing Management Semester VI titled " **A study on market segmentation of McDonalds's and its impact on customer perception** " during the Academic Year 2023-24.

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ACKNOWLEDGEMENT

I would like to express my heartful gratitude to all those who have supported me throughout this journey of conducting the research and writing this paper.

First and foremost, I am deeply thankful to my Professors, Kinjal Saghavi, for their guidance, encouragement, and invaluable feedback. Their expertise and insightful suggestions have played a significant role in shaping this research.

I am thankful to my friends and classmates who provided assistance and encouragement at every stage of this research. Your discussion and feedback have been instrumental in refining my ideas.

In addition, special thanks to my parents who have always encourage me and for their great confident in me.

Meet Jain

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CHAPTER 1

OBJECTIVE OF STUDY

- To study the impact of market segmentation of McDonalds on its customer perception.
- To study the Significance of Market segmentation strategy of
- McDonalds. To study the efforts taken by McDonalds to retain its customer by adopting segmentation strategy.
- To study the changing demands of customer with respect to segmentation
  strategy.

CHAPTER 1.1
INTRODUCTION

Established in California during the 1940s by two brothers, the McDonald's restaurant became a popular teen hangout in the first flush of post-war affluence. To feed these youthful bodies, the brothers reduced the menu to the perennial favourite – hamburgers, applied assembly line techniques to food production and expanded to four restaurants by 1953. Taking note of the brothers' success, in 1955, Entrepreneur Ray Kroc bought the right to franchise the McDonald's System. Renamed the McDonald's Corporation in 1960, Kroc focused his marketing effort on the family meal and children, spending heavily on television advertising which promoted the smiling clown face of its child-friendly brand mascot, Ronald McDonald. Today, the McDonald's franchise exceeds 30,000 restaurants globally and serves over 50 million people in more than 121 countries each day.

The business began in 1940, their introduction of the "Speedee Service System" in 1948 established the principles of the modern fast-food restaurant. The original mascot of McDonald's was a man with a chef's hat on top of a hamburger shaped head whose name was "Speedee." Speedee was eventually replaced with Ronald McDonald in 1963.

Believing that the McDonald formula was a ticket to success, Kroc suggested that they franchise their restaurants throughout the country. When they hesitated to take on this additional burden, Kroc volunteered to do it for them. He returned to his home outside of Chicago with rights to set up McDonald's restaurants throughout the country, except in a handful of territories in California and Arizona already licensed by the

McDonald's Corporation. As with any new venture, Kroc encountered a number of hurdles. The first was adapting the McDonald's building design to a northern climate. A basement had to be installed to house a furnace, and adequate ventilation was difficult, as exhaust fans sucked out warm air in the winter and cool air in the summer. Most frustrating of all, however, was Kroc's initial failure to reproduce the McDonalds' delicious French fries. Once the Des Plaines restaurant was operational, Kroc sought franchisees for his McDonald's chain. The first snag came quickly. In 1956 he discovered that the McDonald brothers had licensed the franchise rights for Cook County, Illinois (home of Chicago and many of its suburbs) to the Frejlack Ice Cream Company. Kroc was incensed that the McDonalds had not informed him of this arrangement. He purchased the rights back for $25,000--five times what the Frejlacks had originally paid--and pressed forward. Kroc decided early on that it was best to first establish the restaurants and then to franchise them out, so that he could control the uniformity of the stores. Early McDonald's restaurants were situated in the suburbs. Corner lots were usually in greater demand because gas stations and shops competed for them. but Kroc preferred lots in the middle of blocks to accommodate his U-shaped parking lots. Since these lots were cheaper, Kroc could give franchisees a price break.

McDonald's grew slowly for its first three years; by 1958 there were 34 restaurants. In 1959, however, Kroc opened 67 new restaurants, bringing the total to more than 100.

Kroc had decided at the outset that McDonald's would not be a supplier to its franchisees--his l ackground in sales warned him that such an arrangement could lead to lower quality for the sake of higher profits. He also had determined that the company should at no time own more than 30 percent of all McDonald's restaurants. He knew, however, that his success depended upon his franchisees' success, and he

restaurant by Ray Kroc, in Des Plaines, Illinois on April 15, 1955 , the ninth McDonald's restaurant overall. Kroc later purchased the McDonald brothers' equity in the company and led its worldwide expansion and the company became listed on the public stock markets in 1965. Kroc was also noted for aggressive business practices, compelling the McDonald's brothers to leave the fast food industry. The McDonald's brothers and Kroc feuded over control of the business, as documented in both Kroc's autobiography and in the McDonald brothers' autobiography. The site of the McDonald brothers' original restaurant is now a monument. The menu was simple: hamburgers, cheeseburgers, French fries, shakes, soft drinks, and apple pie. The carhops were eliminated to make McDonald's a self-serve operation, and there were no tables to sit at, no jukebox, and no telephone. As a result, McDonald's attracted families rather than
teenagers. Perhaps the most impressive aspect of the restaurant was the efficiency with
which the McDonald's workers did their jobs. Mac and Dick McDonald had taken great care in setting up their kitchen. Each worker's steps had been carefully choreographed, like an assembly line, to ensure maximum efficiency. The savings in preparation time, and the resulting increase in volume, allowed the McDonalds to lower the price of a hamburger from 30 cents to 15 cents. With the 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. Its prominence has also made it a frequent topic of public debates about obesity, corporate ethics and consumer responsibility.

GOALS AND OBJECTIVES:

1. McDonald's vision is to be the world's best quick service restaurants experience.

2. McDonald's is committed to maintaining and developing the best food products in the quick service restaurant market.

3. In order to deliver this, the company has made a number of commitments to food Safety and nutrition.

4. Lead the Quick Service Restaurant market by a program of site development and

Profitable restaurant openings, and by attracting new customers. Increasing sales

Through promotions will enable them to continue their program of expansion.

5. McDonald's have an objective to continual enhance and improve their menu. This will better satisfy their customers and give customers more reason to visit. Many ideas for new items on the menu come from the franchisees responding to customer demand. Consumer tastes change over time and McDonald's has to respond to these changes.

Mission & Values

McDonald's brand mission is to be our customers' favourite place and way to eat and drink. Our worldwide operations are aligned around a global strategy called the Plan to Win, which center on an exceptional customer experience – People, Products, Place, Price and Promotion. We are committed to continuously improving our operations and enhancing our customers' experience.

McDonald's Values

We place the customer experience at the core of all we do. Our customers are the reason for our existence. We demonstrate our appreciation by providing them with high quality food and superior service in a clean, welcoming environment, at a great value. Our goal is quality, service, cleanliness and value (QSC&V) for each and every customer, each and every time.

We are committed to our people. We provide opportunity, nurture talent, develop leaders and reward achievement. We believe that a team of well-trained individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to our continued success.

We believe in the McDonald's System. McDonald's business mo lel, depicted by our "three-legged stool" of owner/operators, suppliers, and

company employees, is our foundation, and balancing the interests of all three groups is key.

We operate our business ethically. Sound ethics is good business. At McDonald's, we hold ourselves and conduct our business to high standards of fairness, honesty, and integrity. We are individually accountable and collectively responsible.

We give back to our communities. We take seriously the responsibilities that come with being a leader. We help our customers build better communities, support Ronald McDonald House Charities, and leverage our size, scope and resources to help make the world a better place.

We grow our business profitably. McDonald's is a publicly traded company. As such, we work to provide sustained profitable growth for our shareholders. This requires a continuous focus on our customers and the health of our system.

We strive continually to improve. We are a learning organization that aims to anticipate and respond to changing customer, employee and system needs through constant evolution and innovation.

1.2 HYPOTHESIS

H01-There is no significant impact of McDonald's market segmentation on its Customer Perception.

H1-There is a significant impact of McDonald's market segmentation on its Customer Perception.

1.3 METHOD OF DATA COLLECTION

PRIMARY DATA

A questionnaire was constructed for the purpose of survey. The sample size was 100 respondents. Respondents include the customer of McDonald's of different age group. The responses were taken through online survey through social networking sites and also few offline surveys.

Sample Area- Mumbai

Sampling method- Keeping the objective in mind random sampling method will be used for drawing sample.

SECONDARY DATA

Secondary data is collected by someone other than user. Common sources include census, surveys, organizational record, and data collected through qualitative methodology and qualitative research.

Following are prime source of secondary data.

Newspaper, Magazines, Journals, Internets.

SIGNIFICANCE OF STUDY

The study is to focus on the impact of McDonald's market segmentation on its customer perception. The objective is to study the efforts taken by McDonalds to retain the customers by its different strategy but more focus is given to its segmentation strategy. It is a relevant study as it lays impetus on one of big fast food chains segmentation strategy and how it helps them to sustain and grow in market. It will help me to understand the practical implication of segmentation strategy. The study will be useful to academics, teachers, students and industry Professionals.

LIMITATIONS –

The limitations that are faced being a student while doing research are as follow –

Time consuming –marketing research is a lengthy and time consuming process and involves many important steps.

Costly-marketing research is a costly affair it needs a lot of money to conduct various market research activities.

Limited scope- Marketing scope is limited as being a student

Can't predict consumer behaviour-marketing research collects data about consumer behaviour however the data is not accurate because consumer behaviour keeps on changing and cannot be predicted it is very complex and influenced by social, religious, economic, and other factors.

Non availability of reliable data.

CHAPTER 2

McDonald's India-A Profile:

McDonald's opened its doors in India in October 1996. Ever since then, the family restaurants in Mumbai, Delhi, Pune, Ahmedabad, Vadodara, Ludhiana, Jaipur, Noida Faridabad, Doraha , and Gurgaon have proceeded to demonstrate, much to the delight of all the customers, what the McDonald's experience is all about.

McDonald's in India is a 50-50 joint venture partnership between McDonald's Corporation [USA] and two Indian businessmen. Amit Jatia's company Hardcastle Restaurants Pvt. Ltd. owns and operates McDonald's restaurants in Western India. While Connaught Plaza Restaurants Pvt. Ltd headed by Vikram Bakshi owns and operates the Northern operations. Amit Jatia and Vikram Bakshi are like-minded visionaries who share McDonald's complete commitment to Quality, Service, Cleanliness and Value (QSC&V). Having signed their joint-venture agreements with McDonald's in April 1995, they trained extensively, along with their Indian management team, in McDonald's restaurants in Indonesia and the U.S.A. before opening the first McDonald's restaurant in India.

Respect for local culture:

McDonald's India has developed a special menu with vegetarian selections to suit Indian tastes and preferences. McDonald's does not offer any beef or pork items in India. Only the freshest chicken, fish and vegetable products find their way into our Indian restaurants.

In addition, they've re-formulated some of their products using spices favoured by Indians. Among these are Mc Veggie™ burger, Mc Aloo Tikki™ burger, Veg. Pizza McPuff™ and Chicken McGrill™ burger. They've also created eggless sandwich

sauces for the vegetarian customers. Even their soft serves and McShakes™ are egg-less, offering a larger variety to their vegetarian consumers.

International Standards

McDonald's India's local suppliers provide them with the highest quality, freshest ingredients. Complete adherence to the Indian Government regulations on food, health and hygiene is ensured, while maintaining their own recognized international standards. Fast, friendly service - the hallmark of McDonald's restaurants the world over is the mantra we abide them.

Stringent cleaning standards ensure that all tables, chairs, highchairs and trays are sanitised several times each hour. Such meticulous attention to cleanliness extends beyond the lobby and kitchen to even the pavement and immediate areas outside the restaurant.

McD Philosophy

"We take the burger business more seriously than anyone else." When McDonald's founder, Ray Kroc made that memorable statement, he was letting the world in on the philosophy and secret behind McDonald's phenomenal success.

Their vision to be India's "best" quick service restaurant experience is supported by a set of principles and core values.

The principles that guide them...

- Quality, Service, Cleanliness & Value - It is an unflinching McDonald's ideology that their customers must always get quality products, served quickly and with a smile, in a clean and pleasant environment; and all at a fair price.
- They are committed to exceeding their customers' expectations in every restaurant every time.
- They have a passion and a responsibility for enhancing and protecting the McDonald's brand.
- They believe in a collaborative management approach, employing a mutually respectful business philosophy.
- They will seize every opportunity to innovate and lead the industry on behalf of their customers.

Business Model:

- **Franchise Model** – Only 15% of the total number of restaurants are owned by the Company. The remaining 85% is operated by franchisees. The company follows a comprehensive framework of training and monitoring of its franchises to ensure that they adhere to the Quality, Service, Cleanliness and Value propositions offered by the company to its customers.

- **Product Consistency –** By developing a sophisticated supplier networked operation and distribution system, the company has been able to achieve consistent product taste and quality across geographies.

- **Act like a retailer and think like a brand –** McDonald's focuses not only on delivering sales for the immediate present, but also protecting its long term brand reputation.

2.1 HISTORY OF MCDONALDS

1955 Ray Kroc opens his first restaurant in Des Plaines, Illinois and the McDonald's Corporation is created.

1957 Quality, Service, Cleanliness and Value (QSC& V) becomes the company motto.

1959 The 100th McDonald's opens in Chicago.

1961 Hamburger University opens in Elk Grove, near Chicago.

1963 One billion hamburgers sold.
Ronald McDonald makes his debut.

1964 Filet-O-Fish sandwich is introduced.

1965 McDonald's Corporation goes public.

1967 The first restaurants outside of the USA open in Canada and Puerto Rico.

1968 The Big Mac is introduced.
The 1,000th restaurant opens in Des Plaines, Illinois.

1972 A new McDonald's restaurant opens every day.
The Quarter Pounder is introduced.

1973 Egg McMuffin is introduced.

1974 The first Ronald McDonald House opens in Philadelphia.
The Happy Meal is launched.

1983 Chicken McNuggets is introduced.
New Hamburger University campus opens in Oak Brook, Illinois. Set in 80 wooded acres. Training is provided for every level of McDonald's management worldwide.

50 billionth hamburger sold.

1984 Ronald McDonald Children's Charities is founded in Ray Kroc's memory to raise funds in support of child welfare.

1989 McDonald's is listed on the Frankfurt, Munich, Paris and Tokyo stock exchanges.

1990 McDonald's opens in Pushkin Square and Gorky Street, Moscow.

1993 The first McDonald's at sea opens aboard the Silja Europa, the world's largest ferry sailing between Stockholm and Helsinki.

1994 Restaurants open in Bahrain, Bulgaria, Egypt, Kuwait, Latvia, Oman, New Caledonia, Trinidad and United Arab Emirates, bringing the total to over 15,000 in 79 countries on 6 continents.

1996 McDonald's opens in India – the 95th country.

2.2Evolution of McDonald's marketing in India:

When McDonald's India launched in 1996, urban Indians in Mur hai and Delhi typically ate out three to five times a month, according to AT Kearney, the management consultancy. In the 12 years since then, that average frequency has doubled and analysts forecast that by 2011 the Indian quick service restaurant market will be worth 30,000 crore (about $6.3bn at October 2008 exchange rates). But from their earliest investments in India, multinational company (MNC) owners of restaurant chains have struggled to adapt to the needs of India's many markets. Some pulled out of the country after failed ventures. At the time, consolidation of the hugely fragmented Indian retail sector had also barely begun, and there was scepticism that Indians would prefer burgers and fast food to local food offerings. However, in the intervening decade, McDonald's has continued to open new outlets in the country, evolving its marketing strategy through several phases.

Twelve years of McDonald's India:

McDonald's India was set up as a 50:50 joint-venture between McDonald's at a global level and regional Indian partners such as Hardcastle Restaurants Private Limited in western India, and Connaught Plaza Restaurants Private Limited in northern India. The first Indian McDonald's outlet opened in Mumbai in 1996. Since then, outlets have begun trading in metropolitan and Tier II towns across the country. By September 2008, it had premises in Mumbai, Bangalore, Baroda, Pune, Indore, Nasik, Chennai, Hyderabad, Surat and Ahmedabad. Amit Jatia, Managing Director, McDonald's India, said: "The past decade has witnessed a marked change in Indian consumption patterns, especially in terms of food. Households in middle, upper and high-income categories now have higher disposable income per member and a propensity to spend more."

Phase I: Launching the brand

The starting point for McDonald's India was to change Indian consumers' perceptions, which associated it with being 'foreign', 'American', 'not knowing what to expect' and 'discomfort with the new or different'. McDonald's wanted to position itself as 'Indian' and a promoter of 'family values and culture', as well as being 'comfortable and easy'. Simultaneously, the brand wanted to communicate that, operationally, it was committed to maintaining a quality service, cleanliness and offering value for money. Says Arvind Singhal, Head of Marketing at McDonald's India: "From a marketing communications standpoint, we chose to focus on familiarizing the customer with the brand. The brand was built on establishing functional benefits as well as experiential marketing." Until 2000, McDonald's India did not have enough reach to use mass media such as television advertising. Instead, most of its marketing effort focused on outlet design, new store openings and PR about its attempts to tailor a menu to Indian tastes. Amit Jatia said: "Products like McAloo Tikki burger, Veg Pizza McPuff and Chicken McGrill burger were formulated and introduced using spices favoured by Indians. The menu development team has been responsible for special sauces which use local spices do not contain beef and pork. Other products do not contain eggs and are 100% vegetarian. The Indianite products have been so well received that we even export McAloo Tikki™ burger and Veg. Pizza McPuff™ to the Middle East."

However the company did not escape food criticism in the country. For instance, it hurt the religious sentiments of Indians by using beef flavouring for its "Vegetarian" French Fries. Says Sridhar, National Creative Director, and Leo Burnett: "When McDonald's launched we took a conscious call of not introducing any beef or pork in our products. Thus, when controversies around McDonald's products started during the early and growth stages of the Indian business, we reacted quickly. We educated our customers about the build of our products and did extensive kitchen tours for our customers. We showed them how we use separate vegetarian and non-vegetarian platforms for cooking – a first in any market for McDonald's."

Phase II: Brand advertising

By 2000, McDonald's India was ready to begin TV advertising. Arvind Singhal said: "The first Indian TV commercial, Stage Fright, attempted to establish an emotional connection between the (Indian) family and the brand. Over the years advertising has reinforced this positioning, supported by promotions." The Stage Fright campaign aimed to establish McDonald's as a familiar, comfortable place. It featured a child who suffers stage fright and is unable to recite a poem. On entering McDonald's, he easily recites it in the store's familiar environment. A second campaign featured a child and his family moving into a new place. He misses his previous surroundings – until McDonald's provides something familiar. These storylines were supported by other initiatives. The company's one-minute service guarantee attempted to reinforce its reputation for fast, friendly and accurate service and it also ran in-store events for mothers and children. Mr Singhal says: "To kids sitting on the Ronald McDonald bench, pumping sauce from the sauce machine became brand rituals."

K.V. Sridhar, National Creative Director, Leo Burnett, the company's agency in India, adds: "In the launch phase the communication focused solely on building brand and product relevance. The brand's scores on relevance to families and kids were very high." Later, McDonald's realized there was untapped potential in the youth audience who considered McDonald's expensive and mainly for children. Sridhar says: "In 2004, we launched the Happy Price Menu with a value message for a younger audience. For the first time McDonald's India saw a surge of younger consumers and people from socio-economic class B walk into our stores. "We had realized that the Indian consumer was price sensitive and even though the organization managed to establish a sense of familiarity, Indian consumers continued to perceive McDonald's as an expensive eating out option."

Phase III: Appealing to both ends of the age spectrum

In 2008, the latest campaign from the McDonalds-Leo Burnett stable uses father-son duos from the Indian film industry to reiterate the theme of "Yesteryear's Prices". It features Bollywood stars from past decades together with their sons and a message that prices have not risen in line with the passage of time. The Happy Price campaign has also been promoted via virals. Outdoor has also promoted a home delivery option in a country where home delivery is common in urban areas. McDonald's has also been exploring strategic tie-ups with Indian sports properties such as the IPL cricket tournament, where it was one of the event's food providers. Amit Jatia, however, says: "The eating out market in India is very large and has huge potential fuelled by rising disposable incomes. There are many Indian and international players who have entered in the market since the last decade and unbranded food chains have also grown significantly. "The Indian consumer has seen value in what we have to offer at our restaurants which is a testament to our model."

Challenges in Entering Indian Markets:

- **Re-engineering the menu** - McDonald's has continually adapted to the customer's tastes, value systems, lifestyle, language and perception. Globally McDonald's was known for its hamburgers, beef and pork burgers. Most Indians are barred by religion not to consume beef or pork. To survive, the company had to be responsive to the Indian sensitivities. So McDonald's came up with chicken, lamb and fish burgers to suite the Indian palate.

- **The vegetarian customer** – India has a huge population of vegetarians. To cater to this Customer segment, the company came up with a completely new line of vegetarian items like McVeggie burger and McAlooTikki. The separation of vegetarian and non-vegetarian sections is maintained throughout the various stages.

CHAPTER 2.3

McDonald's Strategic Marketing Mix

When the Dick and Mac McDonald opened their first restaurant in San Bernardino, California in 1948, they never could have imagined the extraordinary growth their company would experience. From modest beginnings, they found a winning formula selling high quality products quickly and low-cost. It was not until 1955 when Ray Kroc, a salesman from Chicago, became involved in the business that McDonald's really began to flourish. Kroc realized the same successful McDonald's formula could be exploited throughout the United States and beyond with the use of franchising. A franchise is an agreement or license to sell a company's products exclusively in a particular area, or to operate a business that carries that company's name.

In 1955, Kroc knew that the key to success was through rapid expansion; thus, the best way to achieve this was through offering franchises. Today, over 70 percent of McDonald's Restaurants are franchises. In 1986, the first franchised McDonald's opened in the United Kingdom. Now, there are over 1,150 restaurants, employing more than 49,000 people, of which 34 percent are operated by franchisees. Moreover, there are over 30,000 these restaurants in more than 119 countries, serving over 47 million customers around the world. In 2000 alone, McDonald's served over 16 billion customers. For perspective, that number is equivalent to providing a lunch and dinner for every man, woman, and child in the world! McDonald's global sales were over $40 billion, making it by far the largest food service company in the world.

Because of the invention of franchising and the development of some of the most creative marketing and branding campaigns, McDonald's is one of the world's most well-known, valuable brands holding a leading share in the globally branded, quick service restaurant segment of the informal dining-out market in virtually every country in which they do business. As a leader in the fast food industry, McDonald's is often targeted. Some of the ways McDonald's handles the attacks of the media and competition is by creating a marketing mix to highlight the positive impacts the

organization. McDonald's must keep the strategic nature of its marketing efforts to stay on top and provide what customers want.

Marketing Mix:

Marketing mix must focus on the product, pricing, promotion, and placement of item in order to make it successful. Marketing strategies must feature customer orientation, input, and accessibility in the fight to the top of the market. McDonald's is no different. One can recognize that McDonald's primary target market is children ages 3-11 and their parents. McDonald's understood that the parent was making the purchasing decision, most likely based on price.

What McDonald's marketing executives did was ingenious. They put a $.50 toy in with the hamburger, French fries, and drink and gave it a special name, the "Happy Meal". Then McDonald's marketed the Happy Meal to the kids. If you have you ever asked your child where to buy a Happy Meal, they will tell you that there is only one place you can buy one, and that is at **McDonald's**.

The year in which some McDonald's Favourites were Introduced are:-

1955 - Hamburgers, cheeseburgers, fries, shakes, soft drinks, coffee and milk
1963 -Filet-O-Fish
1968 -Big Mac and Hot Apple Pie
1973 -Quarter Pounder and Egg McMuffin
1974 -McDonaldland Cookies
1977 -Breakfast Menu
1978 -Sundaes
1979 -Happy Meals
1983 -Chicken McNuggets
1986 -Biscuit Sandwiches
1987 -Salads
1998 -McFlurry Desserts
1999 -Breakfast Bagels

2000 -Chicken McGrill and Crispy Chicken

2001 -Big N' Tasty

2003 -Premium Salads, Newman's Own® salad dressings and McGriddles

2004 - Chicke: Selects® Premium Breast Strips

McDonald's restaurants have a variety of strategies that apply to product, placement, promotion, and price that makes them one of the most successful, well-recognized organizations in the world.

Product Strategies:

McDonald's marketing strategies should be looked at historically in order to see the larger picture of the firm's success. There have been so many strategies since the inception of the firm that it is difficult to account for them all, the two most memorable are the development of the "Golden Arches" and "Ronald McDonald". These two icons have given customers a mental image of what to look for when they want quality food for a low price fast. The firm revolutionized the fast food industry and positioned itself as the market leader with low-priced, quality food and provided an entertaining atmosphere for the children. These things were what that the market wanted at the time and the firm answered in spades.

The perceived secret of McDonald's success is the willingness to innovate, even while striving to achieve consistency in the operation of its many outlets. For example, its breakfast menu, salads, **Chicken McNuggets**, and the **McLean Deluxe sandwich** were all examples of how the company tried to appeal to a wider range of consumers. The long history of innovation and experimentation resulted in new profit centers like **Chicken McNuggets** and the breakfast menu. Innovation and experimentation also produced some disappointments like the **McLean Deluxe**, but inevitably experimentation in limited outlets provides McDonald's a way to retain its key

strengths-quality and consistency-while continuing to evolve. The use of franchising, again, provides various perspectives that, in turn, lead to innovation for products and solutions. Franchisees agree to operate their restaurants in the "McDonald's way" but there r mains room for innovation. Many ideas for new menu items come from franchisees responding to customer demand. Developing new products is crucial to any business even those that successfully relied on a limited menu for many years. As consumer tastes change, menu innovation injects enthusiasm allowing the firm to explore markets previously overlooked or ignored. The **"Egg McMuffin"**, for example, was introduced in 1971. This item enabled McDonald's to accommodate consumers of the breakfast market. **Filet-o-Fish**, **Drive-thrus**, and **Playlands** were all products or concepts developed by franchisees. McDonald's tries a few new concepts simultaneous in different parts of the country to find the most promising new menu item. Those with the most potential could be rolled out further, while the ineffective ideas could be left to die quickly. This strategy may be expensive, but the potential to unleash new areas of growth in a maturing market seems to be right in line with what McDonald's has always done.

In addition to the local flavours that have been created in the US, McDonald's international restaurants have been conforming to local, regional, and ethnic tastes, too. In a recent McDonald's case study this was explained further: "For example, **'Maharaja McBurger'** is a vegetarian burger marketed in India. The special requirements for **'Kosher'** foods are followed in Israel. Similarly, McDonald's offers **'Halal'** food in Muslim countries such as Saudi Arabia, UAE, Kuwait, Indonesia, Malaysia, Pakistan, and Bangladesh. During promotions, McDonald's also introduces several other products. For example, its **'Prosperity Burger'** is popular in China, Taiwan, Hong Kong, and Singapore at the time of the Chinese New Year celebrations. In order to respond to the growing phenomenon of health consciousness, McDonald's has moved in favor of lean ground beef, 100% vegetable oil, 1% low-fat milk, low sodium, and low fat. This product strategy shows that McDonald's is interested in becoming part of the culture and is looking for ways to appeal to the market internationally.

McDonald's menu is baseu on five main ingredients: beef, chicken, bread, potatoes and milk. Their main products are **hamburgers, chicken sandwiches, fries, and**

beverages. In addition, they serve a variety of breakfast items and desserts. Every McDonald's is uniform; you know exactly what you will get no matter what store you go in to. Although McDonald's has thousands of restaurants around the world, it standardizes menus and operating procedures in these restaurants to insure consistency throughout. To maintain consistency in the current menu while the firm tests new products to expand the product line, McDonald's relies on test marketing new menu items in pilot locations. New products are rigorously market tested so that the franchisee will have a reasonable idea of its potential before it is added to the menu. The introduction of new products, which have already been researched and tested, considerably reduces the risk for the franchisee. The franchisees additionally benefit from the extensive national market research programs that assess consumer attitudes and perceptions. What products do they want to buy and at what price? How are they performing compared to their competitors?

This approach allows the firm to identify which items are likely to prove popular with consumers while ensuring that the company can deliver new products with consistent quality nationwide. McDonald's already has a history of doing this so it will not require major changes to its operations strategy-at least initially. If the product line-up gets too large, then the task of maintaining quality becomes exponentially harder. The trick is to consider how to eliminate some of the existing menu items when you introduce new ones, while making sure the staff is fully trained in how to execute these products successfully.

McDonald's serves the world some of its favorite foods - **Fries, Big Mac, Quarter Pounder, Chicken McNuggets, and the Egg McMuffin**. To this end, McDonald's had done well with a limited product range. Declining per unit sales and competitors gaining ground, may indicate that McDonald's menu needs a face-lift. One way to do that is by inserting a couple of new, highly promoted menu items. This would refresh the product menu and provide new, satisfying experience for dinner consumers.

Placement Strategies:

McDonald's focuses on store placement and are always looking for the best locations. This strategy created some weakness in the last 10 years because it seemed that too many stores were put in some areas, cannibalizing sales from the other McDonald's. The company has also made convenience a focus, not only through how fast it serves customers, but also in the location of its outlets. Freestanding restaurants are positioned so that you are never more than a few minutes away by foot in the city or by car in the suburbs. In addition, McDonald's is tucking restaurants into schools, stores, and more.

Because McDonald's has pretty well saturated the U.S. market, it's only real opportunities for growth lie abroad, where the competition is not so cutthroat or by introducing new restaurant concepts under brands other than McDonald's. The organization's overall objective is to increase market share. In this instance, the focus is purely on localization with different strategies for different countries. Pricing could not possibly be standardized across the globe without alienating many countries with poorer economies, thus defeating the initial objective. McDonald's set an appropriate price for their product by looking at its competitors in each country. McDonald's is attempting to localize marketing communications due to the realization that it couldn't possibly appeal to all countries at the same time. The firm sees the necessity to "brand globally, act locally". For example, in China it was recognized that advertising on television would be a waste of money because commercials between programs are generally ignored. Instead, McDonald's uses newspapers and magazines to promote its image. Similarly, in East Asia, McDonald's targets children in order to gain optimum results. Of course, the ultimate message (brand) is the same; the medium is what is strategically modified.

Pricing Strategies:

The customer's perception of value is an important determinant of the price charged. Customers draw their own mental picture of what a product is worth. A product is more than a physical item, it also has psychological connotations for the customer. The danger of using low price as a marketing tool is that the customer may feel that quality is being compromised. It is important when deciding on price to be fully aware of the brand and its integrity. A further consequence of price reduction is that competitors match prices resulting in no extra demand. This means the profit margin has been reduced without increasing sales.

McDonald's strategy is to offer quality food quickly to customers at a good value. The pricing structure for McDonald's over years has supported this message. The company strives to differentiate itself from other fast food restaurants by offering a variety of menu items that appeal to a variety of people from those who just want great hamburgers, to those who just want a quick healthy meal. McDonald's differentiates itself by offering a dollar menu, combination meals, and a free toy with Happy Meals.

McDonald's, over the years, has also ran many promotions to increase traffic or product sales. For instance, the most recent roll out has been the 2004 Chicken Selects premium Breast Strips. Right now, you can go to your local McDonald's and "try them free." With this new product is offered a variation of the "usual" sauces for the Chicken Nuggest - a Chipotle Barbeque sauce is most commonly advertised. Another promotion was the "Campaign 55" where diners could buy a featured sandwich, like the Big Mac in April, for 55 cents when purchased with fries and a drink. This campaign wasn't as successful as the fast food giant found would have hoped.

Promotion Strategies:

McDonald's knows that some customers go to its stores to take a quick break from their day's activities and not because McDonald's made the food ten seconds faster than their competitors could. Therefore, McDonald's marketing executives then put together the phrase, "Have you had your break today?" They continued to develop this idea with "You deserve a break today," and now are in the "I'm Lovin' It!" mantra. "I'm Lovin' It!" doesn't seem to have as much punch as the earlier catch phrase, which still seems to be the favorite. McDonald's sees the use of these catch phrases and the use of the Golden Arches as a very successful way of differentiating the restaurants from other fast food competitors. McDonald's has taken price competition out of the picture because the customer feels they have gotten quality, convenience, service, and value - and McDonald's still makes you feel like you are getting a break in your hectic day. Creating catch phrases are only one kind of promotion, and McDonald's uses many kinds of promotions to keep the restaurants at the top of the industry.
With the rise of health consciousness it has become more difficult McDonald's to compete because their reputation brands them as cheap food served fast. The firm's response to obesity claims against the organization and other unfavorable public sediment is to add healthier items to their menu and promote and offer health-conscious alternatives to the "would you like fries with that" legacy. In addition, McDonald's has modernized their advertisements, pamphlets, and website to include nutritional information and addressing diet restrictions. Breaking the unhealthy association is difficult on its own, but with media and movies such as "Supersize Me" adding to the fray, McDonald's has had to look for alternative strategies to keep consumers happy.

Another promotional strategy McDonald's uses is the huge investment in sponsorship. This is also a central part of the image building process. Sponsorship of the 1998 football World Cup, the Premier League and the European Championships increases awareness of McDonald's brand. However, McDonald's still follows Ray Kroc's community beliefs today, supporting the Tidy Britain Group and the Groundwork Trust, as well as local community activities. McDonald's has become a known

community partner with Ronald McDonald Houses across the nation for the use of families whose children are hospitalized and getting treatment far from home. This organization has created an image of partnership and community investment with these and other kinds of philanthropic activities.

Determining which way to market McDonald's and its products is a very important decision that can either cause products to fail or take flight. These same decisions must be made in regards to the marketing of the company as a whole. Strategy is the name of this game.

In a Nutshell:

McDonald's marketing mix is strategic because of the diverse approaches that are used. First, in identifying the "four P's" of marketing addressed earlier (product, price, promotion, and placement), research shows that McDonald's is very careful in making decisions that effect each area and/or how each area effects the other. McDonald's is concerned about how the firm will fulfil the needs and wants of its customers and in the activities associated with maintaining the relationships with its stakeholders. McDonald's stakeholders include customers, franchisees, suppliers, employees, and the local communities surrounding them.McDonald's has shown care for customers through the decisions to add more healthful foods to the menus, by changing how products are packaged or how foods are prepared, and by philanthropic contributions and sponsorships. The restaurant has developed competitive advantages in the industry of serving quality fast food at a low cost. In addition to these decisions, the development of the Golden Arches or Ronald McDonald has provided consumers with memorable icons that are associated with quality, service, and value, just like the McDonald brothers and Ray Kroc intended.

McDonald's faces some difficult challenges in moving away from the fast food king to a more health conscious provider for customers who care about what they eat. The keys to its future success will be maintaining its core strengths-an unwavering focus on quality and consistency-while carefully experimenting with new options. The company's environmental efforts, while important, should not overshadow its marketing initiatives. Though there are many opportunities for this fast food giant, McDonald's must keep the strategic nature of its marketing efforts to stay on top and provide what customers want.

CHAPTER 2.4 SEGMENTATION OF MCDONALDS

The customers of McDonald's have been segmented on the basis of AIOD into four categories, based on the product attributes that fulfil needs like 'fast' food, ambience, status symbol and hygiene.

1	"Fast" food	Student, Working, Adventorous, Energetic	Sports, Entertainment, fashion, music, Recreation	Influenced by peer pressure, Energetic, Impulse buying	Age: 16-24 Years old. Marital status: Single; Heavy users
2	Ambience	Student, working/self-made businessmen; working on Projects.	Entertainment, Recreation, Fashion, Music, Socialization.	Ambitious, Future business and social issues, Politics.	Age: 20-35 yrs Old. Marital status: Single And Married. Light to Medium users.
3	Status Symbol	Student, working; Hanging out, Adventurous.	Sports, Entertainment , Fashion, Music, Recreation.	Energetic, Age: 16-25 yrs Impulse Old. Marital buying, status: Single; influenced by light to medium Peer pressure. users	
4	Hygiene	Working women/men, house-wives; Shopping, Club Memberships.	Home, Recreation, shopping, Fashion,	Planned Age: 25-45 yrs purchasing, old; Marital Authoritarian, status: Newly Strong views, married, Full Politics, Future Nest; Light business and users Social issues.	

1) "FAST" FOOD:

This segment of customers enjoys the Quick Service Restaurant (QSR) facet of McDonald's and has its needs fulfilled. Since McDonald's competes rigorously in the market on the quick delivery attribute, the customers expect their food to be delivered to them fast, both at the outlet, and at home (home delivery). A large majority of this segment is composed of students whose activities are adventurous, enthusiastic, energetic, and recreational and revolve around sports, clubs, hangouts and shopping etc. This segment thus targets the market that indulges in impulse buying and is influenced by peer-pressure. These customers are heavy user of the product at hand. A minority of newly working people are also included in this segment.

2) AMBIENCE:

This segment enjoys the unique ambience provided by McDonald's. Since the regular consumers of this product belong to the upper-middle class, they prefer having a meal with the level of customer service and a tinge of sophistication that the outlets provide. The customers of this segment are students as well as working class. These people enjoy recreation and socialization activities. They have strong views about the current affairs and the future business and social issues.

3) STATUS SYMBOL:

The people of this segment perceive the use of this product as a status symbol and basically comprise students and new-working class. These customers like being seen at the right places and like to associate and socialize with people of the same class. These customers are enthusiastic about entertainment, fashion, music and sports. They have fickle opinions and subject to change because of peer pressure. They follow fads and indulge in impulse buying.

4) HYGIENE

: This segment comprises people who are concerned with hygiene and how the food is prepared and served and also the cleanliness of the environment where they eat. It comprises of middle-aged people mostly housewives and working women/men. These are light users and make purchases once in a while, probably as a substitute rather than a first-choice. These people are authoritarian, have strong views about politics, business and current affairs. They make planned purchases and weigh their options before they make a buying decision.

CHAPTER 3

REVIEW OF LITERATURE

Rudrakshi (2008)

He revealed that:

Marketing Strategies implied by McDonald's clearly gives the entire comprehensive information that is necessary for the growth and development of a business enterprise. Basically, the strategies that are implemented by McDonald's includes many basic essentials features like market research, innovative ideas, customers views, forecasting consumers demand, planning, organizing etc., these are the few basic essentials elements that plays a vital role for the successful business and also in creating the brand name of a product. Today, in this fast moving dynamic world the demand for goods and services are increasing at an alarming rate due to which there is greater competency and competitors ruling in the market. Therefore, most of the companies adopt different types of marketing strategies in order to serve their customers in a more better and efficient manner than their competitors.

(Vignali, 2001)

He Revealed that:

Despite of its affective environmental reputation, McDonald's takes the environmental challenge as an opportunity to build up a competitive environmental position. The main objective of McDonald's is developing a dynamic position which would make environmental act as a continuing concern in the industry covering all the activities of the company. The appealing characteristic of McDonald is that it desired to change its usual networks with the market by forming environmental apprehension into the whole significance chain but was expected that it would be only able to make it through a new networks with normal societal environment which did not even want to be economically compensated for its sustainability to such strategies. McDonald's observed the usage of the non-market fundamentals as a device in improving the image and quality of its distribution system. For instance, McDonalds enormously

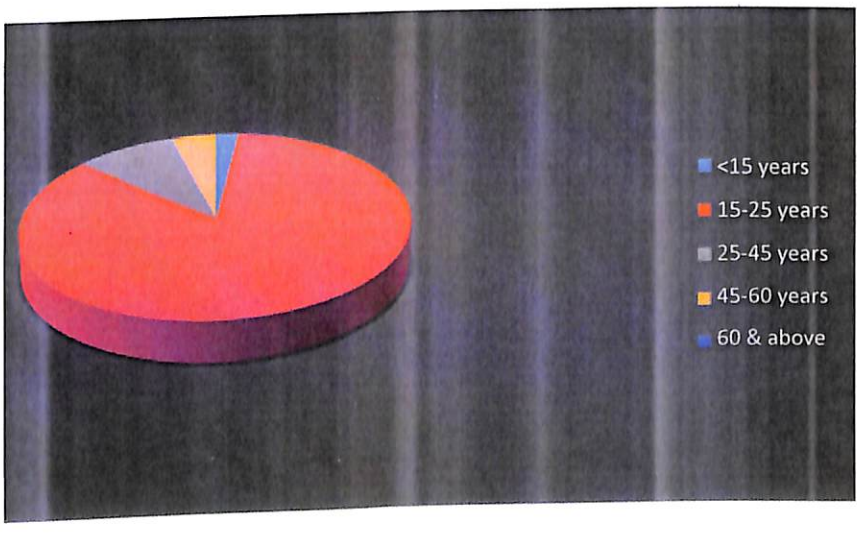
CHAPTER 4

Data Analysis and Interpretation.

Q1] Age group

AGE TOTAL	
<15 years 2	
15-25 years 85	
25-45 years 9	
45-60 years 4	
60 & above 0	

(Table no: 4.1)



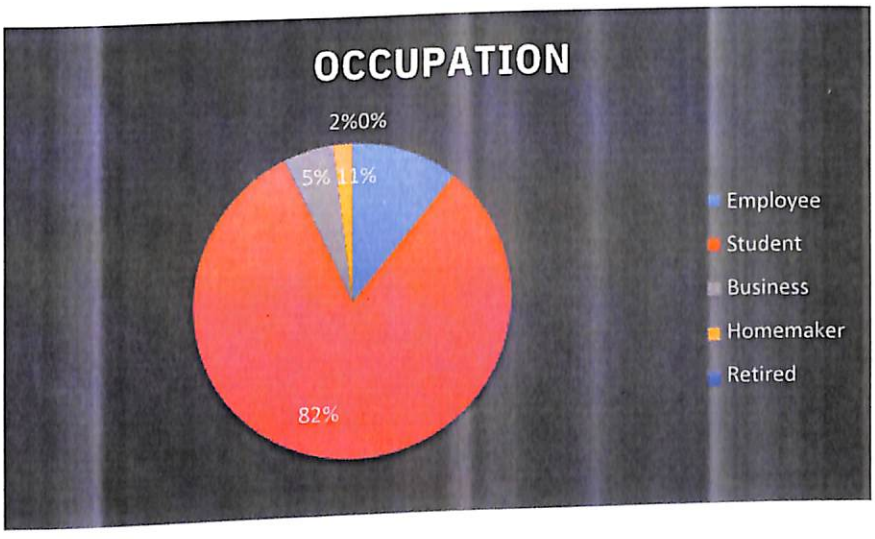
(Chart no: 4.1)

The survey shows that there is maximum response by age a group of between 15 to 25 years i.e. 85% followed by the age group of 25-45 years i.e. 9% and 4% by age group of 46-60 years and there is no response by age group of 60 and above.

Q2] OCCUPATION.

OCCUPATION	TOTAL NUMBER
Employee	11
Student	82
Business	5
Homemaker	2
Retired	0

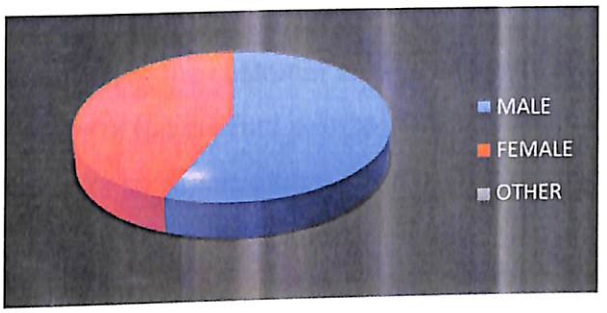
(Table no: 4.2)



(Chart no: 4.2)

The survey shows that the maximum response i.e. 82% is collected by students as they are more connected to McDonald's which is followed by employees with 11%, 5% by business class people, 2% by Homemaker and there is no response by Retired people.

Q3] GENDER.

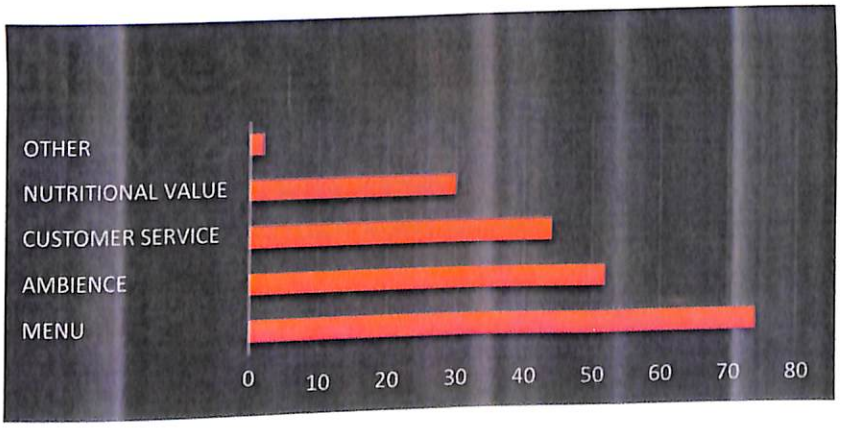


(Chart no: 4.3)

This survey is showing that there are 56% female respondents and 43% male respondents.

Q4] what is the most important factor which affects your choice of Fast Food Restaurants? (Can choose more than one option)

- MENU
- AMBIENCE
- CUSTOMER SERVICE
- NUTRITIONAL VALUE
- OTHER



(Graph no: 4.4)

This question was a multiple choice question, mostly all respondents' selected more than one option. The most affecting factor in deciding choice of fast food restaurants

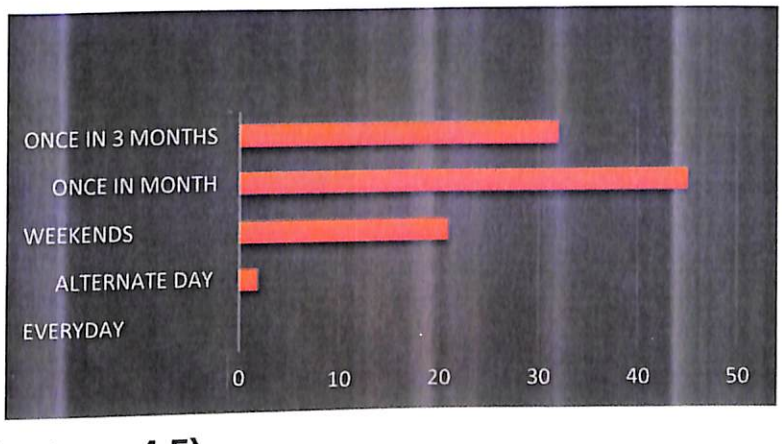
was the Menu with a response of 74 people followed by the Ambience of restaurants with 52 respondents.

44 respondents also said that the customer service also matter and 30 respondents said the Nutritional value of the product is important. This shows that even though menu is deciding factor for selection, ambience of restaurant also have a great impact on customer.

Q5] How often do you visit McDonald's?

~~EVERYDAY 0~~	
~~ALTERNATE DAY 2~~	
~~WEEKENDS 21~~	
~~ONCE IN MONTH 45~~	
~~ONCE IN 3~~ MONTHS 32	

~~(Table no:4.5)~~



(chart no: 4.5)

45 respondents visited McDonald's once in a month which shows people are not so keen on eating there on regular basis it's good to visit sometimes. 32% people visited McDonalds once in 3 months which shows McDonald's is not so connected to this respondents, 21 people visit McDonalds on weekends so it's a good place for them to chill on weekends while there are only 2 who visit it alternate days. There is no single
respondents who visit McDonalds regularly.

Q6] Are you satisfied with service provided by McDonald's?

	YES 59
	NO 11
	MAYBE 30

TABLE NO: 4.6

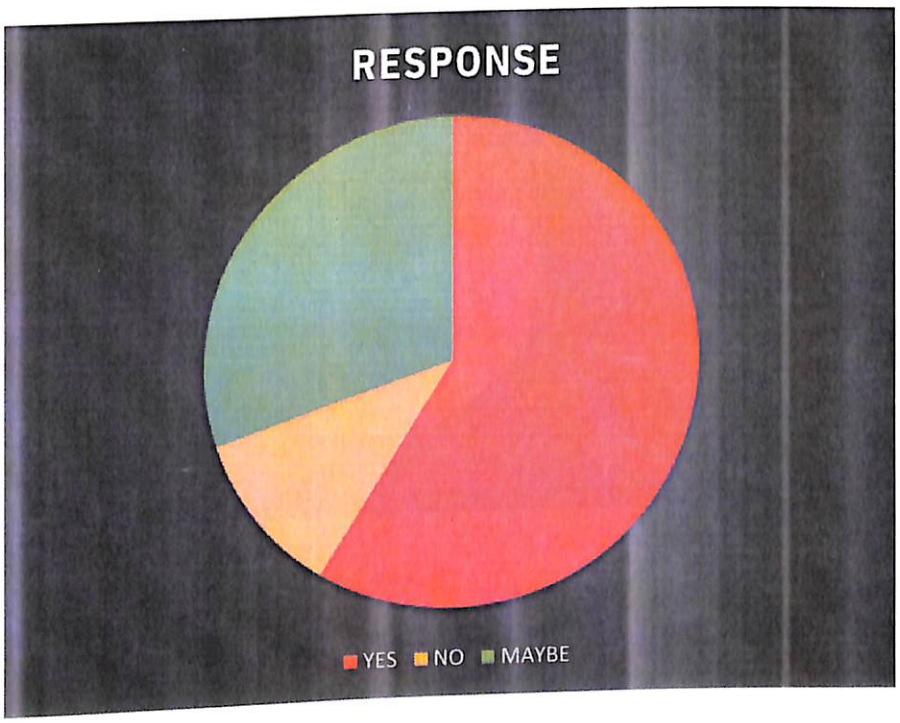


CHART NO 4:6

From the survey it is observed that 59% people were satisfied with service provide by McDonalds while 32% were still not sure whether they were satisfied with service or not and 11% were not satisfied with the service of McDonalds.

Q7] How much do you spend on average per visit?

EXPENSE[rupees) No. of Respondents	
<100 18	
<250 46	
<500 27	
>500 9	

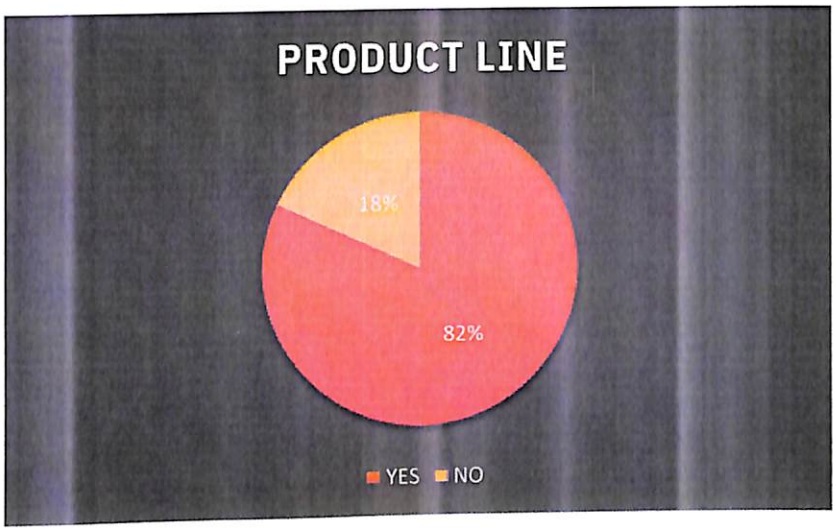
(TABLE NO: 4.7)



(CHART NO: 4.7)

From the 100 respondents 18% spend less than 100rps per visit which is quite a good income for McDonalds, the highest amt spent per visit is 250 i.e. 46% of total respondents, 27% of total respondents spent less than 500 rupees and there were only 9% who spent more than 500.

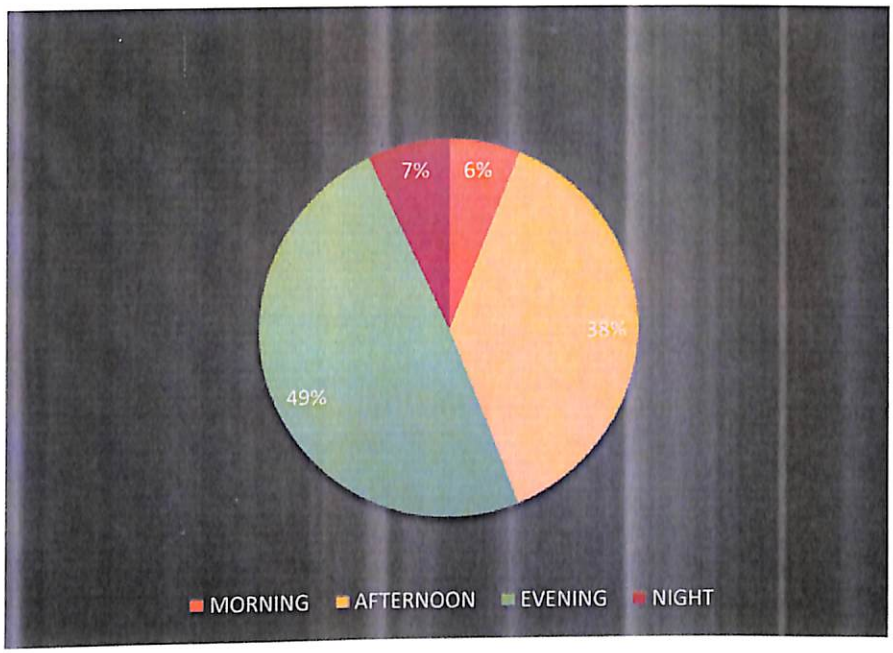
Q8] Is the product line adequate?



(Chart no: 4.8)

A product line is a group of related products under a single brand sold by the same company. McDonalds provide a variety of products for customers and 82% of people are satisfied while there are only 18% who are not satisfied. This shows that McDonald's is successful in providing sufficient product line.

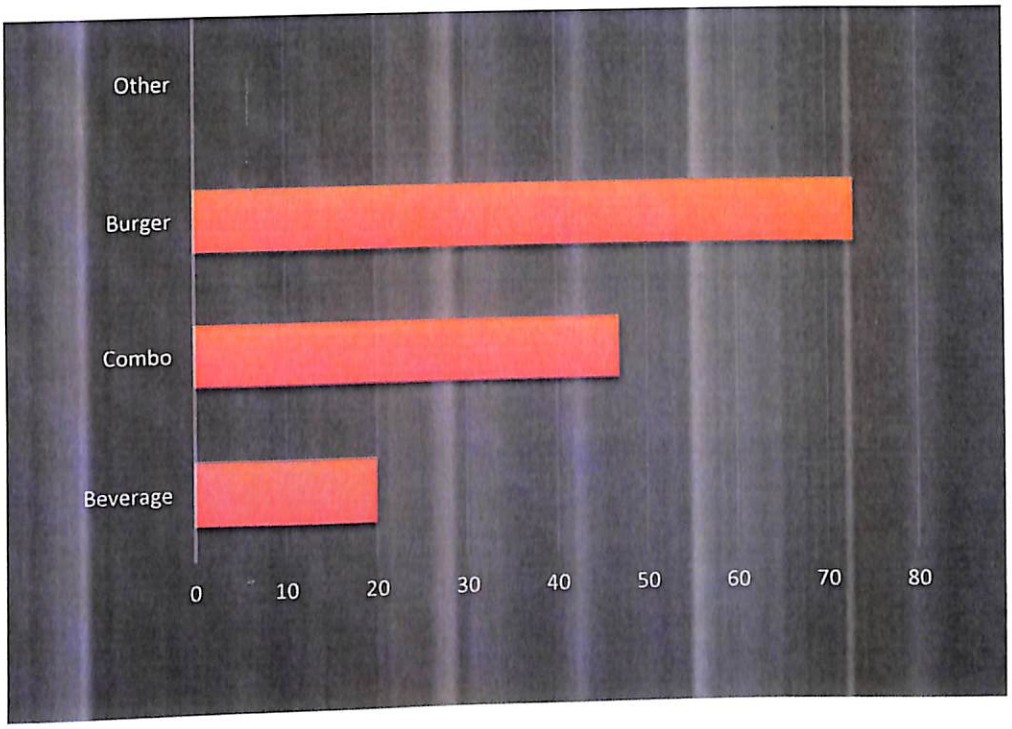
Q9] what time of the day do you prefer to eat at McDonald's?



(Chart no: 4.9)

Customers mostly visit McDonald's in the evening time which is 49% of overall response followed by 38% which is in afternoon time while there was a response of 7% in night and 6% in morning. The response shows that people consider McDonald's as a snack item and not as a perfect dinner. It is mostly prefer in evening when people want to enjoy their evening with snacks and their friends, family. Even though there is response of 38% for afternoon it is observed that people buy product of McDonald's as it is easy to grab a bite and full your empty stomach. There is hardly any response for morning and night which shows people are not interested to have it in dinner or as a early morning breakfast.

Q10] What type of food do you prefer in McDonald's?



(Chart no: 4.10)

Out of 100 respondents 73 people preferred burgers which is core product of McDonald's followed by 47 respondents who preferred the combo meals which McDonalds provide by combining its various product under a single price with certain discount, 20 respondents also enjoyed the beverage in McDonald's, McDonald's have a variety of beverage in its restaurant as well as in McCafe.