



McDonald's Brand Audit

MGMT 265: Brand Management

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6/2/2016

Part I. Brand Inventory

1. Brand Elements:

Name: **McDonald's**

Logo Evolution:



Current European Logo:



Current Logo in the rest of the world:



Font: **Helvetica Bold**, with a flipped “W” for the M, and a custom apostrophe.

Symbols:  (“The Golden Arches”)

Official Slogan:



McDonald's released an updated slogan, “Lovin’ > Hatin’” and/or “Lovin’ Beats Hatin’,” to Wall Street in January 2015, an announcement that was poorly received. No marketing campaigns have attempted to standardize this new slogan, so consumers do not associate this with the brand. According to U.S. consumer perception, including Wikipedia, the current U.S. slogan is still “I’m Lovin’ It.” Other historically notable slogans include “You deserve a break today (1971)” and “We love to see you smile (Early 2000s).”¹







¹ “McDonalds.” *Wikipedia: The Free Encyclopedia*. Wikimedia Foundation, Inc. Web. 29 May 2016. <https://en.wikipedia.org/wiki/McDonald%27s>

Mantra (as of Jan. 2015): “Modern, progressive burger company”²

Characters:

While McDonald’s has not actively marketed any characters since its latest rebranding campaign, there is no evidence that they are permanently retired, as their intellectual property still carries brand value and trademarks. In fact, McDonald’s included emoji versions of several characters in its mobile keyboard app. Tables 1 and 2 below describe the catalog of characters.











Table 1 - Major McDonald's Characters³

Character	Description
 Ronald McDonald	The primary icon of McDonald’s who appears in most character-related marketing materials, including commercials, videos and animations. Ronald is a clown with red hair and a big smile who wears a yellow suit with a red zipper, big red shoes and striped sleeves.
 Sundae	Ronald McDonald’s dog that first appeared in “The Wacky Adventures of Ronald McDonald.”
 Grimace	A large, purple character, originally known as “Evil Grimace” because he stole milkshakes and sodas, but now one of the “good guys,” portrayed as a well-meaning simpleton whose clumsy antics provide comic relief.
 Hamburglar	Originally pint-sized, he was one of the first “villains” in McDonald’s commercials. He likes to steal hamburgers.
 Birdie the Early Bird	The first identifiable female character; she is a yellow bird in a pink jumpsuit. She promoted the company’s breakfast items until 2011.
 Fry Kids	Last seen in 2008, these characters promote McDonald’s French fries. Initially called “Goblins” from 1972-1983, and briefly called “Fry Guys” from 1983-1987, they like to steal and “gobble up” fries.


² George Will, “Why does McDonald’s Want to Rebrand as a ‘Progressive Burger Company’?,” *National Review*, June 17, 2015, <http://www.nationalreview.com/article/419924/why-does-mcdonalds-want-rebrand-progressive-burger-company-george-will>.

³ “List of McDonald’s characters.” *Wikia: The Home of Fandom*. Web. 12 May, 2016., http://mcdonalds.wikia.com/wiki/List_of_McDonald%27s_characters

Table 2 - Minor McDonald's Characters⁴

Character	Description
 Mayor McCheese	This character is an enormous cheeseburger with a hamburger head and top hat. He is portrayed as giggly, bumbling, and somewhat incompetent. Although Mayor McCheese was dropped during streamlining in the mid-80s, he made a commercial cameo in 1999.
 Officer Big Mac	Dropped in the mid-80s during character streamlining, he had a large Bic Mac head, and was the chief of police who spent his time chasing villains like the Hamburglar and Captain Crook.
 Captain Crook	Dropped in the mid-80s during character streamlining, he was a pirate in McDonaldland who primarily tried to steal Filet-O-Fish sandwiches from other characters. He would also translate for the Hamburglar.
 The Professor	Dropped in the mid-80s during character streamlining, he was a McDonaldland inventor and researcher with a lightbulb-topped helmet and mustache.
 The Hamburger Patch	A “patch” or grove of trees that grew talking hamburgers. These characters were dropped during the mid-80’s streamlining of characters.
 Uncle O’Grimacey	He is the Irish uncle of Grimace, who is green, and wears a coat covered with four-leaf clovers. Used to promote McDonalds’ Shamrock Shake around St. Patrick’s time, he has not been used since the 80s, though was never declared “streamlined.”
 The Happy Meal Gang	The group name for a hamburger, fries, and soft drink who were voiced by actors.
 The McNugget Buddies	A bunch of Chicken McNuggets, marketed from 1989 – 2001, with appearances in “The Wacky Adventures of Ronald McDonald” they were themed like cowboys and also changed costumes for holidays such as Halloween.
 CosMc	A temporarily-featured alien character in a large space suit who talked like a surfer and was featured in a series of commercials from 1980 – 1985 with a brief reappearance in 1999. He was featured as a character in the video game M.C. Kids.
 Trash Cans	A pair of talking trash cans featured in the 1970s and 80s that fed on garbage. The “Don’t Forget to Feed the Waste Baskets” song was written about them.




⁴ Ibid.

Bernice	Marketed from 1992 – 2001, she was an unusual creature who ate inedible things, such as manuscripts.
Vulture	A vulture with no name who spoke in a monotone voice and was featured in some commercials.
 Iam Hungry	The self-proclaimed “Vice President of Snacking,” this character was short lived, only appearing from 1998 – 2001. He was a floating, speedy green ball of fuzz with orange arms and a monster face who was always hungry and usually appeared when other characters were dining with a birthday kid.
Griddler	A character from 2003 – 2006 who specialized in stealing McGriddles from other McDonaldland characters.
Mike the Microphone	A character created specifically for albums “Ronald Makes it Magic” and “Ronald McDonald presents Silly Sing Along.” He acted as the producer and security guard at the McDonaldland radio station.









Packaging⁵:

McDonald’s packaging has evolved continuously throughout the years to reflect new logos and brand associations. Table 3 provides a synopsis of the various packaging iterations.

Table 3 - Packaging History

	1955– 1961: Old typography and original colors on the packaging, featuring the original mascot
	1961 – 1968: Mascot was removed; bags featured the first version of the Golden Arches.
	1968 - 1983: Cardboard boxes were introduced, and featured the more modern-day logo for McDonald’s.

⁵ Hayley Peterson, “11 photos that show how McDonald’s has changed since the 1950s,” *Business Insider*, Jan. 7, 2016, <http://www.businessinsider.com/mcdonalds-bags-through-history-2016-1>.

	1983 - 1990: Foam packaging was used, and more packaging designs were added to accommodate the expanding breakfast menu.
	1990 – 1993: Brown bags were launched, and the wrappings were redesigned.
	1993– 1996: Typography became more spirited while images featured drawings of food.
	1995– 2003: Features the Golden Arches and reintroduces cardboard packaging
	2003 – 2008: White packaging reintroduced across all packages and graphics featured activities and athletes.
	2008 – 2013: Clean, simplified look featuring a white and bright red design, plus differentiated colors for the cardboard packages
	2013 – 2016: More complicated and wordy design
	2016 – present day: Return to the brown bag with a simplified design consisting of one very enlarged gold Double Arches logo and a bold bright purple (introduced for the first time) typography of the name.

Online presence:

Table 4 - Social Media Channels - As of 5/21/2016

Platform	Reach	Activity	Content
YouTube	213,815 Subscribers	16,177,000 Views	Commercials (in both English & Spanish)
Facebook	62,559,147 Likes	22,414,244 Check-Ins	Promotions, Product/Happy Meal Toy Ads, Employee Interviews & Performances, Food Videos, Food Photography, Cross-Brand Promotional Campaigns with Happy Meal partners
Twitter	3,220,000 Followers	155,000 Tweets, 2991 Likes	Announcements, promotions, cross-brand promotions with partners, links to other social media platforms
Snapchat	N/A	N/A	Exclusive Content, Interactive Content, First-look to New Product Introductions, Requests Users to Follow on Twitter
Tumblr	N/A	N/A	Shared Fan Tweets, GIFS of happy employees and customers, Shared Instagram Posts, Promotional Tweets (customers promoting a marketing campaign), Spotify Playlists, Food Photography with Messages, Fan Letters
Vine	201,900 Followers	4,668,906 Loops	Contest Promotions, Transformational Clips, Short Animations, Product Promotions, Short Story Videos, Everything has a humorous tone
Instagram	1,400,000 Followers	332 Posts	Food Photography, Food Videos, Photos of Cute People Eating the Food, Mini-Story Photography Featuring Food and/or McCafé

U.S. Website: <http://www.mcdonalds.com/us/en/home.html>

Mobile App: In the “McDonald’s” app you can learn nutritional information, ingredient information, of its menu, and also participate in special offers. There is also a restaurant locator, tutorials for their offers, and a punch-card. The App also offers a “McDonald’s Keyboard” in which fans can type using McDonald’s character emojis.

2. Branded Products:

Big Mac – three bun layers with beef, cheese, lettuce, onions, pickles, and special sauce in a sesame seed bun

Quarter Pounder – two beef patties seasoned with salt and pepper, with two slices of cheese, onions, and pickles in a sesame seed bun

McNuggets – small pieces of lightly breaded and fried chicken

McWrap – grilled or fried chicken with mixed greens, cucumbers, tomatoes and cheese, topped with a dressing. Developed to help McDonald's compete with Subway and Panera Bread, and widely believed to slow the drive-thru lines, which has caused tension with franchisees.

Daily Double – 2 patties with a slice of cheese, onions, lettuce and tomato

McDouble – 2 patties with one slice of cheese, pickles, onions and ketchup

McRib – barbecue pork sandwich periodically (and popularly) available

McChicken – crispy chicken with mayo and lettuce in a bun

McCafé – Freshly made coffee that is served in a variety of ways, from plain coffee and lattes, to smoothies and shakes. The McCafé brand has been spun off into separate brick and mortar locations similar to popular coffee shops like Starbucks, and McCafé is also sold as bagged ground coffee and K-cup flavors:



Filet-O-Fish – “wild caught” fish topped with cheese and tartar sauce in a bun

All Day Breakfast – Includes iconic brand assets such as variations of McMuffins and McGriddles, among other breakfast items, available during all business hours.

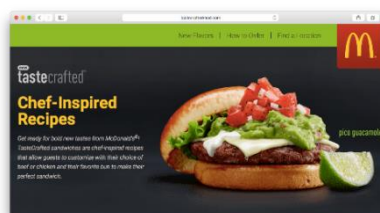
Egg McMuffin – English muffin breakfast sandwich with egg, ham and cheese.

McGriddle – Breakfast sandwich with bacon, egg, and cheese on pancakes with maple flavoring.

Happy Meal – A staple offering of McDonald's marketed to children, this is a box that contains a small value meal, usually consisting of one main item (hamburger, McNuggets), a side item (French fries, apple slices, salad), a drink (milk, juice, soft drink) and a toy.



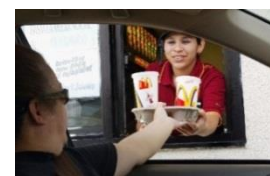
*Taste Crafted*⁶ – Initially called “Signature Crafted,” in test stages, this menu allows customers to customize their meal by choosing from 3 types of buns, 4 custom flavors, and between chicken and beef in order to “get a real taste of California.”



Ronald McDonald – with Ronald's last name representing the name brand of the company, he continues to be “the face” of McDonald's.

3. Additional Marketing Assets:

Drive-Thru – A point of parity with competitors, McDonald's uses drive-thru to be more easily accessible, and it is also important for late-night business.



⁶ "Taste Crafted Burgers & Chicken." *Flavors You Crave*. McDonald's. 29 May 2016. <http://www.tastecraftedmcd.com/>

PlayPlace – a play area for toddlers and young children, usually including slides



McDonald's Next – First opened at the end of 2015, a “modern and progressive” concept restaurant currently only in Hong Kong that has a black-and-white logo, ambient lighting, glass and metallic interiors, and a deluxe salad bar with both sides and alternative condiments. In addition, it does table service after 6pm, offers premium coffee blends and has been fitted with mobile phone charging platforms, free Wi-Fi and self-ordering kiosks.



4. Additional Sub-Brands:

McDonaldland – a fictional city populated by McDonald's characters, popularized in the 1970s and briefly reintroduced for *McDonald's Treasure Land Adventure* in the late 90s.

The Wacky Adventures of Ronald McDonald – 1998 series of retail animated direct-to-video episodes starring Ronald McDonald and most of the McDonaldland characters. A total of six 40-minute tapes were produced, released from 1998 – 2003.

McDonald's Treasure Land Adventure – A 1993 Sega Genesis game that follows the adventures of Ronald McDonald in an attempt to find four pieces of a treasure map and its treasure, while journeying alongside Hamburglar, Grimace and Birdie.

M.C. Kids – Branded with a giant Golden Arches symbol on the cover, this was a 1992 Nintendo (NES) game that features various logos and McDonaldland characters as two main star children venture into McDonaldland to return Ronald McDonald's magical bag, stolen by Hamburglar.

Ronald McDonald House Charities – An independent nonprofit organization whose mission is to create, find and support programs that directly improve the health and well-being of children.

Ronald McDonald Houses – Places to stay for families with hospitalized children receiving treatment far from their homes.

Ronald McDonald Family Rooms – They provide a place for families who don't meet the criteria to stay at a Ronald McDonald House to rest, wash their clothes, shower, or nap near where their child is being treated.

Ronald McDonald Care Mobiles – Mobile clinics offering affordable health and dental care for children.

McDonald's Monopoly – A sweepstakes sales promotion of McDonald's and Hasbro that has been going every year since 1987, using the premise of the game *Monopoly* to award prizes to customers who collect stickers of matching colors.

Part II. Brand Image & Strategy

With over 36,000 locations in over 100 countries, McDonald's brand awareness level is very high. However, its brand image in the United States has suffered over the past several years, as has its global brand image, as evidenced by the company's decrease in worldwide revenues

since 2013. Nevertheless, with \$25.4 billion in revenues in 2015, it is apparent that there are still a large number of consumers patronizing its restaurants. Respondents at YouGov.com who like McDonald's describe it as being family-friendly, good value for money, everywhere, familiar, and family-oriented.⁷ Interestingly, these attributes intersect with only two of McDonald's self-stated positive attributes, as according to its 10K, McDonald's marketing and promotional strategies aim to "focus on value, quality, food taste, menu choice, nutrition, convenience and the customer experience."⁸ The company views these seven attributes as part of its value proposition to consumers and a point of differentiation from its competitors, but as stated above, customers who like the brand don't associate all of them with the brand.

Those who dislike McDonald's on YouGov.com describe the brand using the terms unhealthy, poor quality, poorly made, overrated, and poor customer service.⁹ Additionally, the McDonald's brand's American customer satisfaction index score has decreased from 73 to 67 since 2013, earning the lowest score among competitors in the limited-service restaurant industry.¹⁰

Domestically, fast food in general has been criticized for its lack of nutritional value and contribution to the country's and the world's rising obesity epidemic, and McDonald's has long been the center of this criticism, with films such as *Super Size Me* and books such as *Fast Food Nation* highlighting the negative effects of the company's products and practices. Thus, the brand's perceived quality is low, and in a recent study by Morgan Stanley, millennials stated

⁷ <https://today.yougov.com/opi/browse/McDonalds>.

⁸ McDonald's 2015 10K Report.

⁹ <https://today.yougov.com/opi/browse/McDonalds>.

¹⁰ Benchmarks by Industry: Limited Service Restaurants, *American Customer Satisfaction Index*, http://www.theacsi.org/index.php?option=com_content&view=article&id=147&catid=&Itemid=212&i=Limited-Service+Restaurants.

that McDonald's is the least likely restaurant brand they would recommend to others.¹¹

However, in the same study, millennials stated that they've visited McDonald's more than any other restaurant, indicating that though they recognize the brand's shortcomings, perhaps its value and convenience meet their needs better than its competitors.

This somewhat complicated relationship that many consumers have with McDonald's brand also complicates the analysis of its brand personality. The brand seems to embody "Sincerity" due to its family-oriented atmosphere, but it doesn't seem to align with this personality when it comes to wholesomeness and honesty. "Competence" may be more accurate though not entirely true, as McDonald's is reliable in its service, availability, and consistency, and continues to be the market leader in the global quick service restaurant industry.

Though the first McDonald's restaurant opened in 1940, the company's brand heritage can be traced to the introduction of the arches in 1953, though these arches were not yet in the shape of an "M". According to Wikipedia, the mascot at this time was Speedee, a man with a hamburger-shaped head wearing a chef's hat.¹² Ronald McDonald, the company's most famous brand character, replaced Speedee in 1967, and what we today recognize as the golden arched "M" finally appeared in 1968.

McDonald's has used many slogans over the years to advertise its brand in the U.S., and has primarily used television, outdoor, radio, newspaper, and sports sponsorships to build its brand. Themes in the U.S. generally revolve around the experience of McDonald's and what the brand delivers to consumers on an emotional and functional level. The most well-known slogans

¹¹ Ashley Lutz, "Millennials Are Telling a Big Lie About McDonald's," *Business Insider*, March 24, 2015, <http://www.businessinsider.com/millennials-go-to-mcdonalds-the-most-2015-3>.

¹² <https://en.wikipedia.org/wiki/McDonald%27s>.

include “It’s A Good Time For The Great Taste,” “You Deserve A Break Today,” “We Love To See You Smile,” and “I’m Lovin’ It,” while the full list of U.S. slogans can be viewed in **Exhibit A**. Many of the U.S. slogans have also been used internationally, including “It’s A Good Time For the Great Taste” and “I’m Lovin’ It”. The theme of fun has been heavily used to advertise not only to adults but also to children over the years, with much of McDonald’s brand-building revolving around Ronald McDonald and a slew of other characters appearing in television ads.

Part III. Competitors

McDonald’s competition can be considered across three dimensions: substitutes, functional competitors, and competitive pressures. This competitive study will first focus on the saturated category of quick service/fast food substitutes, such as common alternatives Burger King, Wendy’s, and Subway, and then continue to discuss broader alternatives that serve the purpose of meal-on-the-go. Lastly, a third and critical step will be to consider competition in the form of categorical and economic pressures that compete for McDonald’s consumer’s attention.

1. Direct Substitutes

Primary research revealed that direct product substitutes to McDonald’s include Burger King, Carl’s Jr., Wendy’s, In N Out, and Chik-Fil-A.



Burger King’s most recent brand estimate was valued at \$3.17B, which pales in comparison to McDonald’s \$81.16B¹³. This estimate is down from a 2010 QSR Report, listing Burger King

¹³ Statista, 2015

with \$8.6B in sales¹⁴. Burger King is ranked second among all quick service burger restaurants according to the QSR Report. What's important to note is that the general slow-down of Burger King's sales parallel's an industry trend, and thus McDonald's attempts to fix a sinking ship are not just unique to the McDonald's brand.

Previously known as "Insta-Burger King" and commonly "BK", Burger King was founded in 1953. The BK business model collects revenues from franchises, leased properties, and company-operated restaurants. It has significantly been able to weather the slowing quick-service restaurant by initiating significant cost-cutting measures and focusing on public relations. Consequently, three-year operating margins grew from 24% (Q2, 2011) to 58% (Q2, 2014)¹⁵.

Products offered at Burger King align closely with those offered at McDonald's. BK offers flame-broiled burgers such as its famous Whopper (compare to McDonald's Big Mac and Quarter Pounder), chicken sandwiches, side items such as fries and onion rings, salads, and desserts. Prices are commoditized across the category and therefore offer a point of parity between McDonald's and Burger King, with the exception being McDonald's dollar menu, which signals its dominance as a low-cost leader in the QSR space. Recent product experimentation has included lower calorie/lower fat "Satisfries" (pictured below), but the product has recently been discontinued due to low sales. It's likely that consumers failed to respond to a low-calorie option for French fries; the reality is that fast-food customers aren't looking to have low-calorie indulgence. The driver is taste and cost, not health.

¹⁴ *QSR Magazine*, 2010

¹⁵ *Investopedia*, 2015

Burger King has a small cast of characters with its *Burger King* (pictured below). The Burger King makes appearances in national television spots, including high-profile events such as the Super Bowl and NBA Playoffs. It is ambiguously creepy but commands attention, and is a highly recognizable image for the company. Recent advertising campaigns have also caught the attention of consumers, for better or for worse. In 2015, for instance, Burger King briefly introduced a black bun, which was met with chagrin but certainly provided shock value and attention, diverting consumers away from McDonald's, albeit temporarily.

The “Burger King”



Recent Campaigns, including the black bun







Discontinued Satisfries



Additional substitutes suggested by primary research include Chick-fil-A, In-N-Out Burger, Wendy's, and Carl's Jr. While parity exists across many of these brands, points of differentiation are noted in Table 5, below.

Table 5 - Primary Competitors

Dimension				
Founded	1946	1948	1969	1941
Distribution	South, Southeast, Southwest, Mid-Atlantic	California, limited Mountain West, Texas	Global	West Coast as Carl's Jr. Midwest, East Coast, Southeast as Hardee's
Sales	\$6B	\$575M (est.)	\$1.87B	CKE Restaurants \$1.28B
Products	Chicken sandwiches	Burgers and Fries, limited	Burgers, fries, chicken sandwiches, chili	Burgers, turkey burgers, fries
Differentiator	Wage increases, staff training ¹⁶	Service standards and quality	Global reach on par with McDonald's, Burger King	Partial table service, all-natural, grass-fed, free-range
Image	The anti-burger	Groupie, niche	"Quality is our recipe"	"Eat Like You Mean It"

Notable commentary on Table 5 points to points of differentiation across each listed competitor, including two chains that compete on the basis of service standards (Chick-fil-A and In-N-Out Burger), and one which offers partial table service (Carl's Jr./CKE Restaurants). Worth noting is that McDonald's most recent adoption of partial service could be a competitive response to these industry pressures.

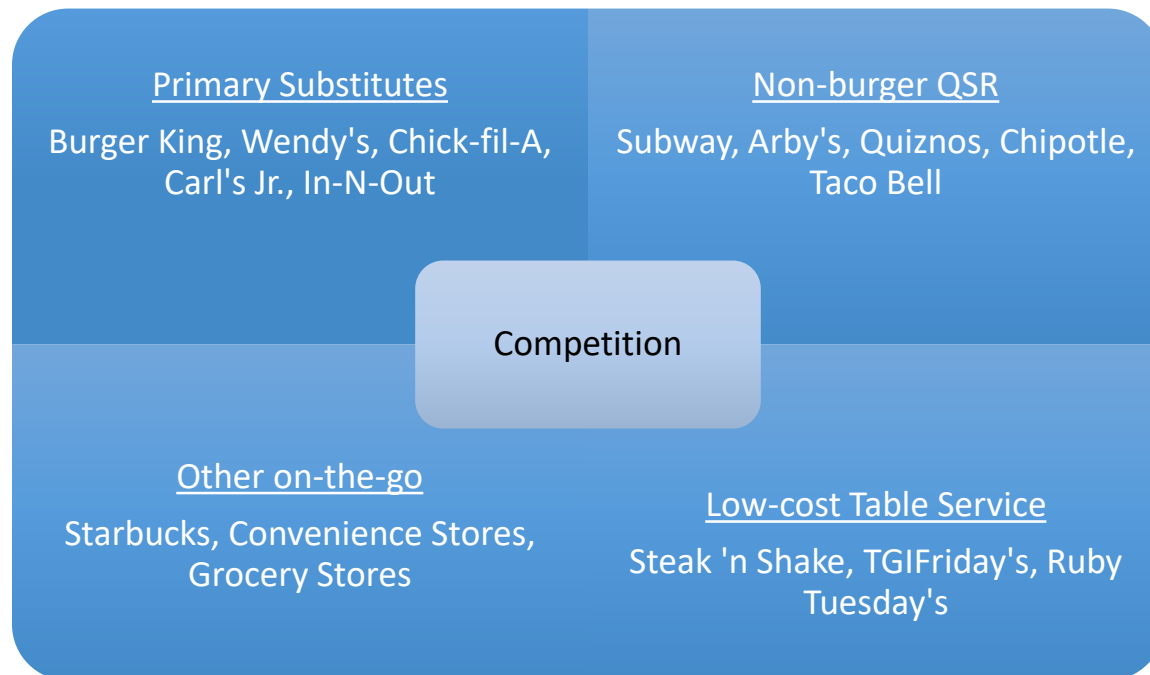
2. Functional Competition

Additional competition identified through primary research includes Quick-Service-Restaurants providing products on the basis of satisfying one or more of three identified

¹⁶ *Business Insider* recently noted that McDonald's and Walmart will now be replicating the Chick-fil-A staff training and compensation model.

purposes: non-burger QSR, other on-the-go, or low-cost Table Service. Examples are further identified in Figure 1.

Figure 1 – Competition Categories



“Non-burger Quick Service Restaurants” compete through one of many dimensions. One such point of competition is product mix, such as Subway promising freshness at low-cost, Chipotle offering fresh Mexican fare, and Arby’s mix of roast beef sandwiches. Another point of differentiation is how the customer is served, such as Taco Bell’s promise of late-night dining. “Other on-the-go” competitors typically serve as outlets whose primary focus is not on quick-service dining, but that might be viewed as a reasonable substitute for a fast-food option. Examples of this include Starbucks’ limited food options (often priced at a premium versus fast-food alternatives), and food bars available at convenience stores and grocery stores. Lastly, “Low-cost Table Service” restaurants such as TGI Friday’s and Steak ‘n Shake offer products of

similar quality and value to quick service restaurants, but require additional time on the part of the consumer. Service levels are, logically, often much higher at table-service restaurants.

3. Competitive Pressures

Macroeconomic pressures have changed the rulebook for the quick service industry. The *New York Times* cites changing consumer preferences in food disrupting the entire food industry, not just limited to fast food restaurants but also including large corporations such as General Mills.¹⁷ Taste preferences and ethically-sourced food has changed consumer demands. Quick-service-restaurants are also being impacted by changing business models, as employees lobby for higher wages, more training, and increased job mobility. Thus, as consumer preferences evolve and business models continue to become more stringent, fast-food chains such as McDonald's will need to continue to look for points of differentiation that keep it competitive in an increasingly shifting landscape.

Part IV. Brand Categorization

1. Strategic Brands

Big Mac has historically been one of McDonald's most important brands; it is McDonald's most recognizable menu item and has been a mainstay on the menu since it debuted in 1967.¹⁸ Many Americans can probably recite the ingredients of the Big Mac from memory (two all-beef patties, special sauce, lettuce, cheese, pickles, onions, on a sesame seed bun) thanks to a cleverly crafted jingle that has been revived in advertising campaigns multiple times throughout the Big Mac's history. While the Big Mac has received negative attention in recent years due to its high fat content and calorie count, it is still a high seller for McDonald's and is an important

¹⁷"A Seismic Shift in How People Eat," *New York Times*, 2015.

¹⁸ https://en.wikipedia.org/wiki/Big_Mac.

strategic brand for McDonald's. McDonald's even recently began testing a range of Big Mac sizes, a larger Grand Mac and a smaller Mac Jr. to expand the brand.¹⁹

The McRib is a strong driver brand for McDonald's. McDonald's does not offer the McRib year round, offering it only seasonally, and, this past year, only at a little over half of all U.S. restaurants.²⁰ By not offering the McRib year round, McDonald's has been able to create an "event" that motivates customers to come to their restaurants for the specific purpose of purchasing the McRib. Customers are so motivated to find the McRib that a McRib locator website (unaffiliated with the McDonald's corporation) has been created, which consolidates consumer reports about which locations are offering the McRib.²¹

The recent addition of driver brand "All Day Breakfast" to McDonald's portfolio in the fall of 2015 has been a boon to the company's profits, contributing to same store sales rising 5.4% over the previous year in the U.S.²² All Day Breakfast provides a point of differentiation for McDonald's compared to the other fast food restaurants who limit their breakfast menus to morning hours. It also features another strategic brand, the Egg McMuffin, McDonald's original signature breakfast sandwich that has become a Milk Cow brand for them. The McGriddle, a uniquely McDonald's breakfast sandwich that has been a driver brand for McDonald's, was not

¹⁹ Dan Eaton, "Franchisees: McDonald's 'didn't have to twist our arm' to test new Big Macs," *Columbus Business First*, Apr. 20, 2016, <http://www.bizjournals.com/columbus/news/2016/04/20/franchisees-mcdonalds-didnt-have-to-twist-our-arm.html>.

²⁰ Jenn Harris, "The McRib is back! But how do you find it?" *Los Angeles Times*, Sept. 15, 2015, <http://www.latimes.com/food/dailydish/la-dd-mcrib-back-20150915-story.html>.

²¹ <http://mcriblocator.com/>

²² Paul R. La Monica, "McBoom! McDonald's gets big breakfast boost," *CNN Money*, Apr. 22, 2016, <http://money.cnn.com/2016/04/22/investing/mcdonalds-earnings-all-day-breakfast/index.html?iid=EL>.

initially included in All Day Breakfast, but is being added to the All Day menu is several locations, due to popular demand.²³

Other strategic driver brands for McDonald's include the Happy Meal and the Play Place, which target families with young children, making McDonald's more than a place for cheap food, and making McDonald's a fun experience for children. While several other chains also offer children's meals, McDonald's has established partnerships with the biggest entertainment brands to exclusively feature their movie tie-in toys in Happy Meals. This focus on children brings in revenues from the entire family and establishes positive relationships with consumers at a young age.

McDonald's introduced its McWraps as a strategic brand in 2013 to provide a point of parity with competition like Subway and Panera and to try to appeal to Millennials. Unfortunately, the McWraps were resulting in store inefficiencies, taking up a disproportionate amount of preparation time and slowing down drive-thru service,²⁴ and they also never really caught on among the targeted audience, so McDonald's began to slowly discontinue the brand in the fall of 2015.²⁵ Other strategic brands in McDonald's portfolio that offer points of parity with other fast food chains include the Filet-O-Fish, the McChicken, McNuggets, and the Quarter Pounder.

2. Silver Bullets

The introduction of the McCafé brand has had a major impact on the McDonald's brand. Perception of usage occasions for the brand has expanded from a place to get a quick, cheap

²³ Kate Taylor, "McDonald's is fixing its biggest problem with all-day breakfast at more than 1,000 locations," *Business Insider*, Mar. 16, 2016, <http://www.businessinsider.com/mcdonalds-tests-mcgriddle-all-day-menu-2016-3>

²⁴ Ashley Lutz, "How the McWrap is killing McDonald's business," *Business Insider*, Mar. 9, 2015, <http://www.businessinsider.com/how-the-mcwrap-is-killing-mcdonalds-2015-3>.

²⁵ Laura Northrup, "McDonald's is pulling the McWrap, which failed to beat Subway," *Consumerist*, Apr. 14, 2016, <https://consumerist.com/2016/04/14/mcdonalds-is-pulling-the-mcwrap-which-failed-to-beat-subway/>.

meal to a place to get a high quality coffee drink, bakery item, or even a smoothie. The quality of the McCafé products has helped to elevate perception of the overall McDonald's brand and has expanded the category that McDonald's competes within to include coffee shops like Starbucks and Peet's. McDonald's has properly leveraged the success of the McCafé brand by expanding the offerings at the McCafés and by expanding beyond the in-restaurant locations and opening up stand-alone McCafés. They have also begun selling their packaged coffee and K-Cups in retail stores, introducing a new revenue channel for the corporation.

This year, McDonald's launched the "Taste Crafted Menu" brand, which they hope will be another silver bullet for them. The Taste Crafted Menu is intended to also elevate perception of the brand, changing its competitive references from fast food standards like Burger King and Wendy's to also include higher-quality fast casual establishments like Five Guys, Chipotle, and Panera. Our primary research suggests that McDonald's may not have marketed this change effectively, as none of our survey respondents had heard of the new menu. Additionally, our survey indicates that the execution of the menu may not provide the perceived quality boost that McDonald's was hoping for; most of the respondents were critical of the sandwiches they sampled. As this menu is still very new, it remains to be seen whether the country as a whole will respond differently than our sample population, but the key to success with this initiative will be actually producing higher quality, tasty products, something that it is questionable whether they have achieved.

The Ronald McDonald House charity, while not owned by the McDonald's corporation, is also a silver bullet brand for McDonald's. Ronald McDonald Houses show the charitable side of McDonald's, helping to keep the brand from seeming like a soulless corporation out to exploit

low-income customers. However, awareness of Ronald McDonald House is not high among those who have never had the need to stay at one²⁶, so the positive impacts of the charity on the overall McDonald's brand are not as strong as they should be.

McDonald's brand mantra suggests that the company places high value on being progressive, but that is not a characteristic that has been evident in the current brand portfolio. Even the new Taste Crafted Menu does not bring new ideas or flavors to the industry. To bring McDonald's perceived image closer to its desired identity, the company should launch a silver bullet brand that evokes this perception of progressiveness among consumers.

3. *Endorser Brands*

The Ronald McDonald brand endorses Ronald McDonald Houses, McDonaldland, and the various games featuring Ronald McDonald and friends throughout the years. All of these endorsed brands are targeted at children (or their families), so the Ronald McDonald endorsement is appropriate and immediately clues consumers in to who the target demographic is.

4. *Umbrella Brands*

The McDonald's brand acts as an umbrella over a large portion of the brands within the portfolio, as indicated with the presence of the prefix "Mc" in the brand names; this includes McNuggets, McRib, McWrap, McChicken, and McCafé. The ubiquitous nature of the McDonald's label in its menu items makes it difficult to know whether it is supposed to convey any specific meaning to the item; in fact, the fewer non-"Mc" items feel special by default.

²⁶Megan Hart, "New Ronald McDonald House director plans to raise awareness, more money," *The Topeka Capital-Journal*, Dec. 25, 2015, <http://cjonline.com/news/2015-12-25/new-ronald-mcdonald-house-director-plans-raise-awareness-more-money>

More recently, with the trial introduction of the Grand Mac and Mac Jr., the Big Mac brand has become an umbrella brand as well. The meaning of the Big Mac brand is clearer, all three of the products will contain the same core ingredients as the Big Mac, but will be differently sized. The McCafé brand has also been extended to include packaged coffee and K-Cups, which grows the reach of the brand and reinforces its status as a competitor to brands like Starbucks.

Part V. Brand System Evaluation

1. Brand Portfolio Size

McDonald's is really a singular brand that offers many products. Over its long history, McDonald's has streamlined its products to align with a "fast" brand promise, which has secured both its brand value and consumer perceptions. However, while efficiency has benefitted McDonald's in the past, that laser-focus has failed to align with recent shifts in consumer demand. In the 90's, "fast food" culture did not care about food health to the same degree as today. This allowed profit margins to shine, and McDonald's easily lived up to its brand promise by banging out burgers quickly. Unfortunately for McDonald's, nowadays, demand has shifted from the "fast" element to healthier options.

To match the demand shift, McDonald's would benefit by extending its brand and the types of restaurants in which it invests, which can influence perception of the parent brand. For example, expanding its McCafé brand also helps improve parent brand perceptions. McCafé is a strong coffee brand that is a substitute for Starbucks and Peet's, and because of its brand clarity and quality product, the brand enjoys high credibility and positive consumer perceptions.

Taking a lesson from McCafé, McDonald's needs to focus on its credibility as a burger restaurant. Historically, McDonald's has positioned its business as offering cheap burgers; yet in

an effort to shift consumer perceptions and position itself as offering healthier options, McDonald's has initiated a 600-restaurant experiment in Southern California, offering a newly branded "Taste Crafted" menu with customized, higher quality burgers. To measure the McDonald's brand impact on perceptions of the menu, our group conducted a survey that measured the brand impact on the perceived product value. From our survey results, it appears that McDonald's attempt to improve its brand by offering a healthier menu may not be working optimally. McDonald's brand name actually drove down the perceived value of products.

To combat its "cheap" brand perception that carries immense historical inertia, McDonald's would best proceed by developing its extension brands and adding some new brands. For example, McDonald's can put more effort into growing its McCafé standalone business. For future extension opportunities, McDonald's can explore creating a spin-off brand (tentatively called "McD's") that could be a new, higher quality brand that serves healthier menu items. This would help to segment the restaurants and also re-align McDonald's brand perception with its brand identity. This way, McDonald's core brand can align with consumer perceptions of an inexpensive place to get a quick meal, and their extension brand can be the progressive and modern establishment that serves items like the Taste Crafted customizable burgers.

2. Brand Leveraging

In 1998, McDonald's took a gamble by purchasing and growing the Chipotle restaurant chain. Although Chipotle's position as a fast-casual healthy restaurant did not align with McDonald's perceived brand promise, it gave McDonald's tremendous opportunity to extend into a healthier space. Unfortunately, while McDonald's divestiture in 2008 may have been for strategic or financial motives, it was a mistake from a brand perspective. An extension into a

healthier and improved consumer perception would have been a huge asset now that McDonald's is struggling with that market. Because of McDonald's long heritage, enormous perception inertia makes it difficult for the McDonald's brand to shift and simultaneously align consumer perceptions to new brand values. Due to this, the best growth potential for McDonald's as a brand would be to enter new markets that are not as heavily impacted by this inertia. McDonald's was wise to act upon this insight by expanding into the coffee industry.

When it comes to leveraging brands, McCafé has been a strong foray into differentiating its "fast food burger joint" perception by pivoting McDonald's into a new direction, coffee. The success of McCafé has established coffee as one of the brand's core competencies and drives a whole consumer market. By expanding business opportunities for McCafé, McDonald's can seek partnerships and brand development to leverage further.

Another opportunity for McDonald's is to extend its international businesses. There is a less unified negative perception of McDonald's internationally due to franchises offering much more diversified product offerings, including cultural dishes that differ by region. One international brand expansion that McDonald's has already undertaken is "McDonald's Next," a restaurant in Hong Kong that is one step above a current McDonald's in terms of service and product offerings (such as a large salad bar). Because of the decreased stigma overseas, McDonald's has more opportunity to expand there. Leveraging international brand perceptions can also benefit McDonald's by helping to bring new brand developments (such as McDonald's Next) back to America with better publicity, backed with a strong brand promise that can counteract its stigma.

3. *Partner & Co-Branding Opportunities*

McDonald's itself already partners and co-brands with several entertainment companies with its Happy Meal Toy offerings, and they have a long-term partnership with the Monopoly Brand. McDonald's biggest incentives to a potential partner are their broad-reaching appeal to mainstream customers and their mass distribution. With that in mind, the ideal partner would be a company that does not yet have mass distribution but has a healthy and socially responsible image that would reflect well on McDonald's. An example of such a potential company might be a tea brand, similar to Teavana.

We believe that the growing McCafé is ripe for partnership to further elevate the brand and expand its clientele. One way to do this is through a partnership with a hotel chain, such as Holiday Inn, an accessible but respected hotel chain that is itself in the midst of brand resurgence. In this partnership, McCafé would have stations, carts, or even small shops in the hotel lobbies. Ideally these locations will have expanded product offerings, including some of the healthier fare offered by McDonald's, specifically the breakfast bowls and salads. This partnership provides a new location where people can find the McCafé when they want it, and in a setting that is classier than the average McDonald's. McDonald's gains distribution of their McCafé brand at a lower cost than building stand-alone brick-and-mortar locations. The hotel, in turn, is able to provide its customers a quality coffee offering where and when they want it most. As Holiday Inn is a member of the Intercontinental Hotel Group, this partnership could allow for expansion into other hotel chains in the future. This partnership would evolve the perception of McCafé in consumers' minds and expands the set of consumers who may partake in McCafé's products, which would positively impact the McDonald's parent corporation.

4. *Clarity of System*

Overall, there is very little variation at McDonald's and the brand delivers clarity to the customer, especially when it comes to value and offerings. Employees are also very clear on what the McDonald's system represents, given the brand's relative consistency. McDonald's has also long been a company that has prided itself on giving opportunities to people, and has served as many employees' first jobs (1 in 8 Americans have worked in a McDonald's at some point in their lives), and this has been possible due to the brand's heritage of delivering fast, consistent food at a good price for the mainstream consumer.

However, the company is currently testing a more progressive Taste Crafted menu in 600 California locations, which may create confusion in customers and employees (while the traditional menu emphasizes fast and consistent food, the Taste Crafted menu introduces customizable food that is meant to compete with more progressive burger establishments). This mixed message causes confusion in customers as they now have to think more about what they want to order, and it confuses employees, causing them to ask if they are supposed to be fast or progressive. Thus, it is important for McDonald's to roll out the Taste Crafted menu with extreme care. The best option may be for the company to create a sub-brand to roll the menu out, such as a new restaurant called McD's that only exists in urban areas and can compete with more progressive burger outlets. This avenue is supported by our primary research, as based on our survey, the McDonald's brand negatively impacted perceptions of value. Thus, a McD's or other named sub-brand could better embody the higher quality Taste Crafted menu and avoid any confusion that the customers and employees may have regarding healthy

options. The same strategy should be used for the McCafé sub-brand, introducing new healthy products at these locations instead of at the flagship McDonald's restaurants.

5. Brand Identity & Management

McDonald's key brands are actively managed and have clear identities. This has long been a strength of McDonald's, for better or worse (the company has characters that represent many of their products). The McCafé brand identity is a sub-brand of products from the parent McDonald's brand, and there is real opportunity to further utilize this sub-brand, given its success in taking on restaurants such as Starbucks. Rolling out McCafé as a low-cost, high quality coffee shop that could operate as a cart in co-branded partnership locations could help McDonald's extend its brand in a positive way. McDonald's should move its brand forward in the following ways:

- Create a sub-brand spin-off restaurant ("McD's") that hosts new menu items that don't align with the brand perception of parent McDonald's.
- Launch healthy choice items through McCafé, avoiding the negative unhealthy perceptions of parent McDonald's.
- Traditional McDonald's should be kept as-is, "a snapshot in time," with locations downsized, creating demand by closing all underperforming restaurants.

Following these steps may stop the bleeding that McDonald's has been going through over the past few years, and may finally bring it into the 21st century, aligning its brand image with what an increasing number of consumers aspire to patronize.

Exhibit A – List of McDonald's U.S. Slogans²⁷

- *Let's eat out!* (1960-1965)
- *Look for the Golden Arches!* (1960–1967)
- *Go for the Goodness at McDonald's* (1962–1969)
- *The closest thing to home* (1966–1969)
- *McDonald's is your kind of place* (1967 – January 22, 1971)
- *You deserve a break today* (January 23, 1971 – April 23, 1975)
- *Enjoy the best food at McDonald's* (1973, concurrent with 1971 slogan)
- *McDonald's Sure is Good to Have Around* (1974, concurrent with 1971 slogan)
- *We do it all for you* (also known as *You, you're the one*) (April 24, 1975 – May 6, 1979)
- *Nobody can do it like McDonald's can* (May 7, 1979 – August 20, 1981)
- *Nobody can say good night like McDonald's can* (1979)
- *You deserve a break today/ There's so much fun for you today* (August 21, 1981 – January 19, 1983)
- *Nobody makes your day like McDonald's can* (1980 – August 21, 1981)
- *That's My McDonald's* (1981, concurrent with 1980 slogans)
- *We cook it all for you at McDonald's* (1982, concurrent with 1980 slogans)
- *McDonald's and you* (January 20, 1983 – April 15, 1984)
- *It's a good time for the great taste of McDonald's* (April 16, 1984 – April 10, 1988, this slogan was used on newspapers from April 16, 1984 until March 6, 1990 and in November 1993)
- *30 years of good times and great taste* (1985, 30th anniversary)
- *It's Mac Tonight* (1985, Mac Tonight advertising)
- *McDonald's is your place to be* (1986)
- *The good time, great taste of McDonald's* (April 11, 1988 – March 6, 1990)
- *You Deserve A Break Today* (1989–1991, concurrent with 1988 slogan)
- *Food, folks and fun* (February 1990, March 7, 1990 – March 18, 1991)
- *McDonald's Today* (March 19, 1991 – March 16, 1992)
- *What you want is what you get* (March 17, 1992 – October 15, 1997)
- *What you want is what you get at RocDonald's today* (1994, *The Flintstones* promotion)
- *McDonald's, where what you want is what you get* (1994, *Sonic the Hedgehog* promotion)
- *What you want is what you get, delivered from McDonald's today* (1994, McDelivery trial)
- *Do you believe in magic?* (March 17, 1992 – October 15, 1997, Ronald McDonald and Happy Meal McDonald's ads)
- *Ronald Makes it Magic* (February 17, 1995 – October 15, 1997, Ronald McDonald and Happy Meal McDonald's ads)

²⁷ https://en.wikipedia.org/wiki/List_of_McDonald%27s_ad_programs#United_States

- *Have you had your break today?* (February 17, 1995 – February 18, 1997)
- *One Two Three Four... Big Mac burger!* (1997)
- *My McDonald's* (February 19 – October 1, 1997)
- *Did somebody say McDonald's?* (October 2, 1997 – June 29, 2000)
- *We love to see you smile* (June 30, 2000 – September 28, 2003)
- *Put a Smile On* (June 30, 2000 – September 28, 2003)
- *Smile* (2001 – September 28, 2003)
- *I'm lovin' it* (September 29, 2003–present)
- *It's what I eat and what I do* (2005, combined with 2003 slogan to make *It's what I eat and what I do...I'm lovin' it*)
- *What we're made of* (2008–present)
- *Gimme Back that Filet-O-Fish* (2009–present, Filet-O-Fish advertising)
- *You want it, need it, you gotta have a taste of McDonald's burgers* (December 1, 2010 – present, Big Mac, Quarter Pounder, Angus Burger advertising)
- *The simple joy of McDonald's* (2010–2013)
- *A whole new way to love McDonald's* (2013–present)
- *There's something for everyone to love at McDonald's* (2013–present)
- *Choose Lovin* (2015–present)