**McDonald's Marketing Serves up Global and Local Profits**

Serving 52 million people in 32,000 locations worldwide may be a tall order, but it’s just an ordinary day in the fast- paced world of fact-food giant McDonald’s. A master, McDonald’s has increased annual revenues to $22bilion by understanding what, when, where, why and how customers want employees or promote products by buying and giving away prepaid cards good for McDonald’s purchases. Facing intense competition from traditional fast-food rivals like Burger King and KFC and casual dining chains like Panera’s, McDonald’s never tops looking for new ways to reinforce customer loyalty and build profits.

**What’s in Stores?**

One key to McDonald’s success is its ever-changing menu that is adapted to local tastes. In Moscow, consumers who are too rushed to eat a traditional ham- and-egg breakfast at home have made Fresh McMuffin sausage sandwiches a top-selling morning item. In France, the Croque McDo is McDonald’s version of the popular croque monsieur hot ham-and-cheese sandwich. Although McDonald’s built its reputation on burgers and fries, its marketers recognize that many consumers have become more health conscious in recent years. That’s why McDonald’s has developed lighter fast-food fare for adults and children alike, including new salads, wrap sandwiches, and apple slices snacks. The company now posts nutrition information online for consumers to check and has cooked up special French fry recipes for cities like New York that ban certain types of fats.

**Ready for Customers Early, late, and on the Go**

Another way McDonald’s has built sales and profits is by opening stores early to serve the breakfast crowed and then keeping selected stores open until midnight or later for night owls. Some of its units operate 24 hours a day, with the drive-through lanes dong a brisk business as commuters, carpoolers, and others buy meals or coffee to go. In China, where McDonald’s will soon have 1,000 outlets, late-night hours are a special draw and have helped the company significantly increase revenues. Also, McDonald’s sees drive-through lanes as an important competitive element in China, where car ownership is growing fast and competitors like KFC have few drive-through locations. Now half of the new stores McDonald’s open in China are equipped for drive-through operations. Under an agreement with state-owned Sinopec, McDonald’s is adding drive-through outlets at Sinopec gas stations all around China.

**Dealing with the Dollar Menu**

Knowing that many customers are eating out on a budget, McDonald’s outlets often offer a Dollar Menu, with selected sandwiches priced at about $1 each. The idea is to “bring I consumers who are looking for ways to stretch their wallets,” explains the company’s president. In fact, the Dollar Menu accounts for more than 20 percent of overall sales in U.S. restaurants.

However, with food prices rising and other costs inching upward, some McDonald’s franchises complain that they are earning fairly low profit margins on Dollar Menu items. Under the items of their franchise agreements with McDonald’s, franchisees are free to charge more (or less) than the corporation’s official Dollar Menu price. Therefore, some stores in high-cost markets are changing $1.29 or $1.39 fro the Double Cheeseburger that franchisees in other areas sell for $1 on the Dollar Menu.

Rising costs are another problem for McDonald’s stores outside the United States. In Russia, fro example, McDonald’s boosts menu prices up to four times a year to cope with the ongoing inflationary cycle that has driven food costs higher and higher. The company increases the price of less-expensive menu items by about half the inflation rate but increases the price of premium menu items by a bit more than the inflation rate because, according to one executive, “We still have a huge amount of people who are price sensitive”. Despite the price hikes, the McDonald’s in Moscow’s Pushkin square remains the busiest McDonald’s on the planet, with 26 cash registers and seating for 900.

**Social Responsibility on the Menu**

Ronald McDonald is one of the world’s most recognizable brand mascots. Not only does he appear in McDonald’s marketing communications, but he also headlines the company’s Ronald McDonald House Charities, which provide accommodations for families while their critically ill children are treated in hospitals far from home. The nonprofit group, now more than two decades old, operates 271 houses in 30 nations. Local McDonald’s outlets support neighborhood charities and community causes, as well.

Prodded, in part, by animal activities, the company has established animal-handling standards for its meat suppliers. It’s also going green by using paper and cardboard packing made from recycled materials.

To showcase its charitable and environmental activities, the company issues a yearly corporate responsibility report and publicizes achievements such as raising millions of dollars on World Children’s Day. However, not all of McDonald’s community activities are well received. For instance, McDonald’s restaurants in Seminole County, Florida, arranged to give Happy Meals to local elementary school students as rewards for good grades and attendance. But some parents and child advocates raised concerns when students brought home report card jackets with pictures of Ronald McDonald on them. “It’s a terribly troubling trend because it really, clearly links doing well in school with getting a Happy Meal,” the head of the Campaign for a Commercial-Free Childhood told the New York Times.

**Blogging About Beef**

McDonald’s has a strong presence on the Internet, with a corporate website, product and nutrition websites geared to each country where it does business. To generate grassroots word-of-moth communications about food and service quality, it has enlisted six Mom’s Quality Correspondents to go behind the scenes at headquarters, suppliers’ facilities, and individual McDonald’s stores. The moms are free to look around, ask questions, videotape what they see, and then blog about their experiences, including video snippets.

These bloggers can say whatever they like because, says a McDonald’s marketing official, “if moms were out there speaking to their communities and online communities unedited, it would get us far more credibility than just posting and article or doing website copy.” For example, after the moms traveled to a McDonald’s beef supplier in Oklahoma City, one wrote on the blog, “Hey, moms across America—it is really 100% beef!”

McDonald’s also maintains a corporate social responsibility blog where its managers post informal notes about issues such as environmental programs, healthy lifestyle, and responsible purchasing. When consumers post comments in response to these blogs, the resulting dialogue helps McDonald’s to better understand public sentiment surrounding such issues and to plan appropriate actions and communications.

**Selling the Arch Card**

Although McDonald’s has sold gift certificates for many years, it now has a corporate sales division that targets businesses that want to give small incentives to employees or customers. The incentive that McDonald’s offers is its Arch Card, a prepaid gift card issued in the amount of $5, $10, $25, or $50. Businesses can up to 25 Arch Cards through local McDonald’s outlets. The corporate sales division handles bulk purchases and gives business customers a discount if they buy $10,000 worth of Arch Cards. After recipients spend the initial gift amount, they can pay to reload up to $110 on each card. The next time they visit a McDonald’s restaurant, they’ll be ready to grab and go with just a swipe of plastic.

**Questions for Discussion**

**1. What role do opening leaders play in McDonald’s marketing?**

**2. How is McDonald’s using marketing to spark learning and positive attitude s toward its brand and offerings?**

**3. Why would McDonald’s select businesses as a target market for its Arch Cards?**

**4. What environmental forces have created challenges for McDonald’s in global markets? What forces have created opportunities in global markets?**

**Please No Citations or suggestions. I just need the answer. The answer has to be at least 500 words.**