

Exploring How McDonald's Changed its Marketing Strategy to Face the Challenges of COVID-19

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Abstract. This study will highlight the impact of COVID-19 on McDonald's brand marketing strategy. In the study, we will analyze the changes in the operating model of McDonald's corporation in China. We will understand the marketing strategy changes made by McDonald's before and after COVID-19. In this study, we point out COVID-19's impact on McDonald's. We identify the differences in McDonald's sales strategy before and after COVID-19. We will confirm whether McDonald's marketing strategy changes before and after COVID-19 worked. We use SWOT to specifically analyze the development of McDonald's in the restaurant industry. Then we use the 4Ps to analyze the changes made by McDonald's during the epidemic. Finally, the validity of the analysis is verified by analyzing the financial statements of recent years. We will point out the marketing strategy changes made by McDonald's before and after COVID-19 and find out what measures McDonald's took in response to the challenges of the epidemic.

Keywords: Marketing Strategy; COVID-19; McDonald.

1. Introduction

Since the epidemic broke out in 2019, the catering industry has suffered significant losses [1,2]. The harmful influence on the caring service includes industry lockout, and large quantities of restaurants shut down. The impetus of food catering service was damaged during the epidemic, and passenger flow volume and advanced orders decreased sharply [3]. Besides, the income of the catering service industry dropped down obviously [4]. In this case, many food catering service industries faced difficult maintenance situations. Many catering companies change their marketing plans to cope with the crisis. This essay will focus on the changes in market planning after the epidemic of McDonald's. Researching this topic could theoretically identify the basic rules of catering service industries facing the crisis because McDonald's scale is large enough to represent the catering service to some extent. This essay will also reveal some more concrete methods for catering service industries in reality to handle the crisis, such as developing the take-out service. The research methods SWOT and 4P are used to analyze this topic.

For the marketing strategy of McDonald's, several scholars have conducted studies, including brand strategy [5,6], price strategy [7], product strategy, and so on [8-10]. However, most of these studies were conducted under stable market conditions and did not consider uncertainties. Therefore, given the characteristics of the restaurant industry under COVID-19, this paper will analyze the response made by McDonald's during the epidemic environment.

2. SWOT Analysis

2.1 Strength

The strength of McDonald's is reflected in its brand strength. McDonald's is the ninth most valuable brand in the world. According to Interbrand, the value of the McDonald's brand will increase by \$45.8 billion in 2021. McDonald's has strong consumer loyalty due to its products and global reach. In franchising, McDonald's not only provided franchisees with the brand name, recipes, and materials, but they also owned the land and operated as landlords. McDonald's has a detailed marketing strategy with different price menus for buyers of varying purchasing power.

2.2 Weakness

The Weakness of McDonald's is mainly reflected in the following aspects: Lack of good government resources and the urgent need to create a better peaceful environment for McDonald's operations in China and it need to provide more help with in-store location and market development; New product development process is too slow, and market acumen is poor. Need support in supply chain and value chain; McDonald's is frequently challenged by food safety and junk food and needs to establish a good brand effect; The broad range of products is narrow, unable to meet the diversified food culture; Single profit model. The revenue of McDonald's stores has slowed down significantly in the past few years, and the profitability of single stores are declining; Stubbornly insists on localization. Relying on the advantages of the original foreign brands, copied over the business model and product structure, consumers have the feeling of looking up, giving consumers a very high platform of bargaining. For example, eating McDonald's and other foreign fast food is better than Western-style dining, but now there is not much difference between the street Malan Ramen and Qingfeng Baozi Shop.

2.3 Opportunity

McDonald's dominates the U.S. fast food industry, but there still seems to be a threat in the international market. However, McDonald's still has much potential to grow internationally based on its experience and strategy in the U.S. and its respect and adherence to different cultural values and beliefs in developing international markets to focus more on global market expansion rather than being limited to other states in the U.S.

2.4 Threat

McDonald's is experiencing dramatic changes in the U.S. labor market. Workers are not interested in low-paying service jobs. At a recent job fair at Denver International Airport, the available positions were focused on food service, and the goal was to attract 5,000 attendees. But the big surprise was that only 100 people attended, while nearly 1,000 positions were offered. McDonald's and other fast food providers reportedly had to close some or all of their dining areas due to staff shortages.

McDonald's had to deal with rising food raw material prices. After experiencing inflation caused by the epidemic, food prices increased significantly in 2021. McDonald's is raising prices to cope with cost pressures, but lower-priced restaurants like McDonald's may face smaller profit margins as they balance consumer price sensitivity with rising food costs.

On July 29, McDonald's released its second quarter 2020 earnings report. According to the earnings report, McDonald's second-quarter revenue was \$3,761.5 million, down 30% year-over-year, and net income was \$483.8 million, down 68% year-over-year. To improve profitability, McDonald's closed about 200 U.S. stores. In addition, McDonald's reduced its ownership in Japan to 35 percent from about 49 percent.

3. 4P Analysis

3.1 Price

McDonald's price increases have been lower than CPI increases for many years, thanks to McDonald's strong supply chain and operating system. For a long time, McDonald's suppliers and franchisees have formed a "three-legged stool" business concept. While building long-term relationships, they can share advantages and achieve mutual benefits. As a result, McDonald's can obtain a competitive advantage of high quality at a better price. In addition to the strong supply chain, consumers can enjoy the value package thanks to McDonald's operational solid system. McDonald's improves the accuracy of usage forecasting and reduces waste while ensuring food safety. The value offer is a loss initially, but it is a longer-term marketing approach. McDonald's strategy in China is "two-way value". By offering value, McDonald's can attract more customers and high-frequency consumption, create a scale advantage and reduce costs. In the long term, this allows McDonald's to control costs and sustain its value strategy. When faced with a prolonged epidemic, McDonald's could not resist price increases. In the face of the epidemic and inflation, the supply chain is tight and mismatched. McDonald's says it regularly adjusts its price structure due to changes in raw materials and operating costs. For some meals, prices increase by \$ 0.5-2. The price adjustment has been effective since December 2021 and will be uniformly adjusted nationwide.

3.2 Product

McDonald's China promotes "digital food safety" and has new food management effects. McDonald's China's nearly 5,000 restaurants must monitor and inspect food safety in their daily operations. The Digital Food Safety (DFS) system is an essential tool for the electronic management of food safety in McDonald's restaurants, which includes daily operation records of employees, employee health management, food safety learning manuals, and training courses. At the same time, McDonald's China has established a Supply Chain Academy to provide food safety training to suppliers using a web-based platform and digital tools to strengthen the food safety management of suppliers and make food safety awareness a conscious behavior of all partners in the value chain, including employees, licensees, and suppliers.

McCoffee launched the "Milk Iron" series. With the rapid development of the coffee industry, consumers' awareness and demand for coffee in lower-tier markets are increasing, and the market is accelerating to second and third-tier cities. 21st Century Business Herald reporter noted that McCafe is ready to enter third-tier towns and is expected to add about 1,000 stores in 2023, focusing on third-tier cities.

McDonald's China released a new version of product nutrition information and solicited 500-calorie meal ideas combinations. McDonald's continues to innovate and promote menu changes with less salt, better oil, more meat protein, and fruits and vegetables grains to provide customers with more delicious and diverse meal choices and is the first in the industry to publish nutrition information on meals and actively advocate balanced nutrition and good meal combinations.

3.3 Promotion

In recent years, McDonald's has tried various marketing breakthroughs affected by the epidemic. As a giant in the fast-food industry, McDonald's often produces advertising campaigns from time to time based on customer preferences and advertises through various media, such as print media, TV commercials, radio, and online media, to attract customers. In addition, promotional activities such as coupons, buy-one-get-one-free discounts, and product bundles have also helped McDonald's gain a stable customer base in the market. In addition to the standard marketing model, McDonald's has always been able to quickly capture the minds of young users with its keen marketing sense. It chooses to break through the market again with the newly developed live-streaming mode and conducts live-streaming from time to time on platforms such as Jitterbug, Taobao, etc. It also captures the fervor of young people for idols and celebrities, invites the hottest stars or actors of the season to patronize the

live-streaming room as McDonald's special "actuarial ambassadors," and offers more significant discounts than usual. This will attract more customers to participate.

3.4 Place

In the event of an epidemic, McDonald's employees, in addition to washing and disinfecting their hands and wearing protective gear such as masks and gauze hats, continued to implement procedures to take the temperature of restaurant employees and delivery workers before they start work and again every four hours. The company has also developed a series of follow-up records, feedback, and communication processes for staff turnover. It is understood that to reduce the interpersonal contact in ordering and picking up meals, McDonald's stores implement "no contact to store pickup". After customers order meals from cell phones or self-order machines, whether dine-in or take-out, employees will put the meals into packing bags, seal them, and place them at the pickup point, where customers can pick up their meals according to their order numbers. At the same time, some McDonald's stores in Beijing are also equipped with "smart pick-up counter" the New Beijing News reporter learned that customers could place orders in advance by cell phone, and after arriving at the restaurant, just read the pick-up code at the pick-up counter, the cabinet door will automatically open, you can self-service contactless pick-up meals. A customer who just took the meal said to the Xinjing News that McDonald's "smart pick-up counter" is very convenient and does not need to enter the restaurant, eliminating the need to enter the store, scan the health code, temperature measurement, etc., further reducing contact and saving time.

McDonald's suffered a massive blow in this epidemic, which also signals the business; in addition to take-out, companies can also try other channels to thin small, multi-mode businesses. Through self-examination of the minor program takeaway and small program mall, in the case of reduced store traffic focus on online business, try to achieve the sale of semi-finished products or ingredients through the online mall can also meet the user does not use the consumer demand, in the long run, is conducive to the diversified layout of the restaurant business.

4. Financial analysis

The success or otherwise of McDonald's marketing strategy can be reflected by the Total Revenue and Net Profit margin in different quarters of different years (as shown in figure 1). The new crown epidemic has had a significant impact on all indicators, with Total revenue dropping from 21.077 Billion in 2019 to 19.208 Billion in 2020 and Net Profit decreasing by 3.96%. And profitability challenges. However, in the 2021 data, its Total Revenue and Net Profit margin showed a stable upward trend again, with revenue increasing from 19.21B in 2020 to 23.22B in 2021, and net profit margin also increased by about 7.86%, nearly 1/3. This year's data fully demonstrates that McDonald's has changed its operation and marketing strategy in response to the crisis of New Crown and has recovered the company's overall financial system based on the problems brought by New Crown to its internal operation.

The epidemic broke out in early 2021, and McDonald's, due to the adjustment of its strategy, ensured that its earnings in the second quarter to the third quarter of 2021 were increasing, and it was not affected by the epidemic like other companies in the food industry, resulting in large revenue fluctuations. The epidemic has also slowly improved from the beginning of 2021 to the aftermath. Still, in the second half of 2021, the epidemic broke out again, and McDonald's did not do an excellent job of defense, resulting in a reduction in its earnings. McDonald's has since readjusted its strategy again, and in the financial statements (as shown in figure 2), it is not difficult to see that its earnings increased in the first quarter through the second quarter of 2022. In the end, its earnings situation is not too far away from before the COVID-19 epidemic, which shows that McDonald's strategy is very effective and has helped the company resolve the crisis.

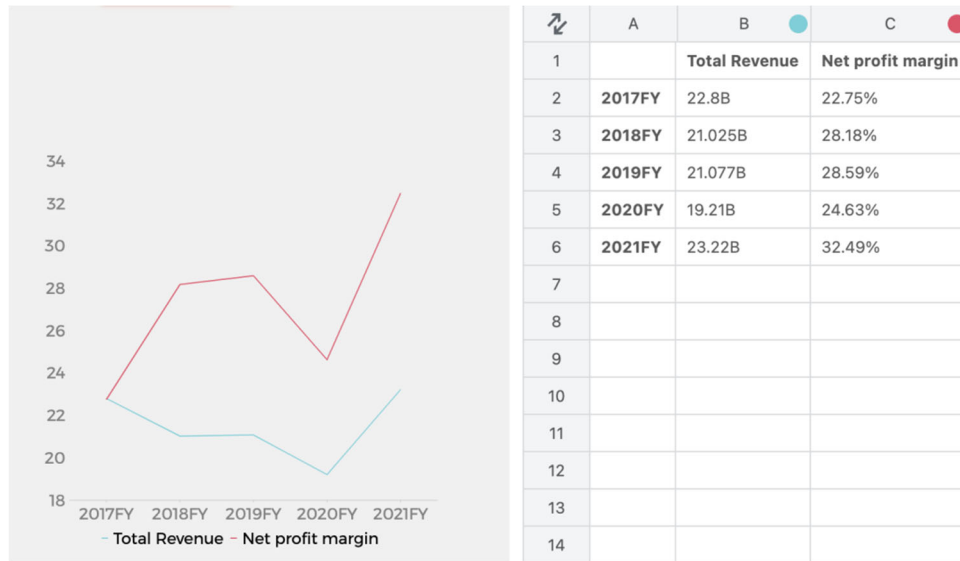


Fig. 1 McDonald’s Financial Analysis (2017FY-2021FY)

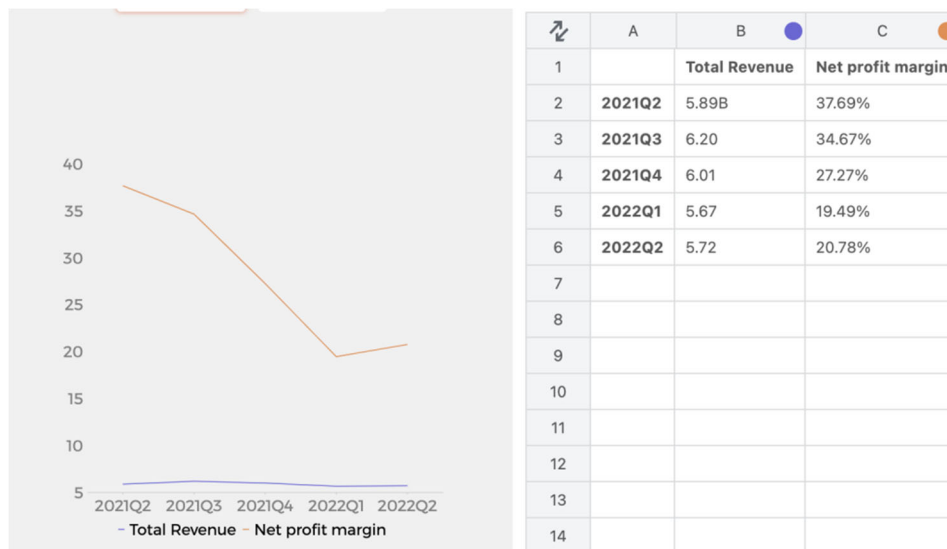


Fig. 2 McDonald’s Financial Analysis (21Q2-22Q2)

5. Conclusion

From the 2021 COVID-19, many industries have been affected in one way or another, and so has the food industry. Many restaurants have ended up closing down due to other factors, such as reduced customer traffic and increased raw material costs. McDonald’s, as one of the surviving restaurants, also played a crucial role in its strategy in facing the challenges of the epidemic. We analyzed the company’s position in the epidemic based on the SWOT approach, its strengths and weaknesses, and the challenges and opportunities. We then used the 4Ps approach to determine how McDonald’s could avoid the crisis and exploit the opportunities by changing its price, product, location, and promotion to take advantage of its strengths and avoid its weaknesses during the epidemic. To prove that its strategy was effective, we looked at its financial statements at the time, comparing total revenue and marginal profit, and found that its revenue was indeed affected. Still, because it changed its strategy in time to minimize the impact of the crisis, although its revenue did not increase compared to the beginning of the epidemic, its decline was also smaller than that of the food industry, thus showing that its current strategy is working. In the long run, its profits will be in a rebound phase. This study found that a company’s marketing strategy significantly impacts its growth. Timely changes in marketing strategy can also help a company to face crises and challenges.

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