

## Value of Marketing Mix: A Case Study of McDonald

**Ms. Prabhjot Kaur**

Faculty

Department of Commerce

Govt. College Derabassi, Punjab

E.mail:prabh\_kaur31aug@yahoo.com

### **Abstract**

*Marketing is the process by which a firm profitably translates customer needs into revenue. Once the target group is decided, the product is to be placed in the market by providing the appropriate product, price, distribution and promotional efforts. These are to be combined or mixed in an appropriate proportion so as to achieve the marketing goal. Such mix of product, price, distribution and promotional efforts is known as 'Marketing Mix'.*

*In McDonald, once the marketing strategy is in place various responsibilities are given to different individuals so that the plan can be implemented. Systems are put in place to obtain market feedback which measure success against short-term targets. McDonald's has to ensure that this is done within the confines of a tightly controlled, finite marketing budget. The main objective of this study is to review the present marketing mix applies particularly to the marketing. This study provides an idea to the marketers and can be used as tools to assist them in pursuing their marketing object.*

**Key Words: Marketing mix, Product, Price, Promotion, Place**

**INTRODUCTION:** Marketing comes in a wide variety of flavors based on audience, media platform and business in today's evolving and dynamic marketplace. Therefore, it's no surprise that marketers define what they do differently.

The management process through which goods and services move from concept to the customer. As a practice, it consists in coordination of four elements called 4P's: (1) identification, selection, and development of a product, (2) determination of its price, (3) selection of a distribution channel to reach the customer's place, and (4) development and implementation of a promotional strategy.

As a philosophy, marketing is based on thinking about the business in terms of customer needs and their satisfaction. Marketing differs from selling because (in the words of Harvard Business School's emeritus professor of marketing Theodore C. Levitt) "Selling concerns itself with the tricks and techniques of getting people to exchange their cash for your product. It is not concerned with the values that the exchange is all about. And it does not, as marketing invariably does, view the entire business process as consisting of a tightly integrated effort to discover, create, arouse, and satisfy customer needs."

**According to the American Marketing Association (AMA) Board of Directors, Marketing** is the activity, set of institutions, and processes for creating,

communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

**Dr. Philip Kotler** defines **marketing** as “the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.”

It can be said that for a perfect marketing the businessman needs to;-

- a) Produce or manufacture the product according to consumers' need;
- b) Make available it at a price that the consumers' find reasonable;
- c) Supply the product to the consumers at different outlets they can conveniently approach;  
and
- d) Inform the consumers about the product and its characteristics through the media they have access to.

Therefore marketing manager concentrates on four major decision areas while planning the marketing activities, namely, (i) products, (ii) price, (iii) place (distribution) and (iv) Promotion. These 4 'P's are called as elements of marketing and together they constitute the marketing mix

### **CONCEPT AND COMPONENTS OF MARKETING MIX**

Marketing involves a number of activities. To begin with, an organization may decide on its target group of customers to be served. Once the target group is decided, the product is to be placed in the market by providing the appropriate product, price, distribution and promotional efforts. These are to be combined or mixed in an appropriate proportion so as to achieve the marketing goal. Such mix of product, price, distribution and promotional efforts is known as '**Marketing Mix**'.

According to **Philip Kotler** “Marketing Mix is the set of controllable variables that the firm can use to influence the buyer's response”.

The controllable variables in this context refer to the 4 'P's [product, price, place (distribution) and promotion]. Each firm strives to build up such a composition of 4'P's, which can create highest level of consumer satisfaction and at the same time meet its organizational objectives. Thus, this mix is assembled keeping in mind the needs of target customers, and it varies from one organization to another depending upon its available resources and marketing objectives. The four components of marketing mix are as under:-

- 1. Product:** Product refers to the goods and services offered by the organization. A pair of shoes, a plate of dahi-vada, a lipstick, all are products. All these are purchased because they satisfy one or more of our needs. We are paying not for the tangible product but for the benefit it will provide. So, in simple words, product can be described as a bundle of benefits which a marketer offers to the consumer for a price. While buying a pair of shoes, we are actually buying comfort for our feet, while buying a lipstick we are actually paying for beauty because lipstick is likely to make us look good. Product can also take

the form of a service like an air travel, telecommunication, etc. Thus, the term product refers to goods and services offered by the organization for sale.

- 2. Price:** Price is the amount charged for a product or service. It is the second most important element in the marketing mix. Fixing the price of the product is a tricky job. Many factors like demand for a product, cost involved, consumer's ability to pay, prices charged by competitors for similar products, government restrictions etc. have to be kept in mind while fixing the price. In fact, pricing is a very crucial decision area as it has its effect on demand for the product and also on the profitability of the firm.
- 3. Place:** Goods are produced to be sold to the consumers. They must be made available to the consumers at a place where they can conveniently make purchase. Woollens are manufactured on a large scale in Ludhiana and you purchase them at a store from the nearby market in your town. So, it is necessary that the product is available at shops in your town. This involves a chain of individuals and institutions like distributors, wholesalers and retailers who constitute firm's distribution network (also called a channel of distribution). The organization has to decide whether to sell directly to the retailer or through the distributors/wholesaler etc. It can even plan to sell it directly to consumers.
- 4. Promotion:** If the product is manufactured keeping the consumer needs in mind, is rightly priced and made available at outlets convenient to them but the consumer is not made aware about its price, features, availability etc, its marketing effort may not be successful. Therefore, promotion is an important ingredient of marketing mix as it refers to a process of informing, persuading and influencing a consumer to make choice of the product to be bought. Promotion is done through means of personal selling, advertising, publicity and sales promotion. It is done mainly with a view to provide information to prospective consumers about the availability, characteristics and uses of a product. It arouses potential consumer's interest in the product, compare it with competitors' product and make his choice. The proliferation of print and electronic media has immensely helped the process of promotion.

### **IMPORTANCE OF MARKETING**

1. Ensures we get our goods and services to our customers effectively and efficiently.
2. Builds and maintains brand value and awareness.
3. Delivers profitable growth.
4. Builds customer value
5. Enhances shareholder value
6. Companies that focus on customers' needs and deliver great customer.

### **LITERATURE REVIEW**

**In 1994** Dr. Chidambaram Studied the promotional mix available to bankers for the marketing of services such as direct marketing, public relations, social banking and customer meets. The study concludes that a good promotional mix is one that:

- a) that takes into account the objectives of the bank and lays emphasis on those services which are of current significance,
- b) reaches various customer segments very effectively,
- c) creates a desire to seek out the services offered,
- d) builds a positive image for the bank, and
- e) strike a balance between cost and effectiveness. (Shodhganga.inflibnet.ac.in)

**In 2007 R B Mason, Department of Marketing, Durban University of Technology, South Africa; G Staude, Rhodes Investec Business School, Rhodes University, Grahamstown. South Africa in his study named A Marketing Mix Model for a Complex and Turbulent Environment** A marketing mix model considered appropriate for success in complex and turbulent environments was developed. In such environments, the literature suggests destabilizing marketing activities are more effective, whereas stabilizing type activities are more effective in simple, stable environments. Therefore the model proposes predominantly destabilizing type tactics as appropriate for a complex and turbulent environment such as is currently being experienced in South Africa.( Act a Commercii 2007 Page 236)

**In 2009 Chai Lee Goi** Department of Marketing & Management, School of Business, Curtin University of Technology CDT 250, 98009 Miri, Sarawak, Malaysia. In his study named **A Review of Marketing Mix: 4Ps or More?** examined the practical applicability of marketing mix in marketing .His point of view was that Marketing mix used by a particular firm will vary according to its resources, market conditions and changing needs of clients. The importance of some elements within the marketing mix will vary at any one point in time. Decisions cannot be made on one element of the marketing mix without considering its impact on other elements). Marketing mix was particularly useful in the early days of the marketing concept when physical products represented a larger portion of the economy. Today, with marketing more integrated into organizations and with a wider variety of products and markets, some authors have attempted to extend its usefulness by proposing a fifth P, such as packaging, people and process. Today however, the marketing mix most commonly remains based on the 4 P's. Despite its limitations and perhaps because of its simplicity, the use of this framework remains strong and many marketing textbooks have been organized around it .In spite of its deficiencies, the 4Ps remain a staple of the marketing mix. (In Vol. 1, No. 1 International Journal of Marketing Studies 2009)

**In 2011 Nikki Doolittle MKT421 University of Phoenix Michael Gaither** In their study named as Marketing Mix studied about the concepts of marketing mix. His point of view was marketing is found all around us. Every time we turn around we see a product being marketed in one way or another. Marketing can be found in several different media formats. To effectively market a product, companies need to take into consideration the four P's of the marketing mix and to find the proper balance of these four p's. These four P's are product, place, promotion, and price. Product is simply the service or good that is being sold to meet someone's needs. Place is how the target is being reached. Promotion relates to how companies are

selling the product to the customers. Price is marketing the product to entice the target audience to purchase it .Businesses need to find the proper balance of these four p's to successfully reach their target audience and successfully market the product. (<http://www.cyberessays.com>)

### OBJECTIVE OF THE STUDY

The study is mainly focused to know that how four p's of marketing i.e. Product, Place, Price and Promotion play a big role in marketing function. For the purpose of study McDonald Company, the biggest food chain has been selected.

### METHODOLOGY

The required data has been collected through secondary source like Text books, Journals, internet and other publication and supported by primary data collected through observation technique.

### ANALYSIS: McDonald

#### Historical background

<b>Introduction</b>	Largest chain of hamburger fast food restaurants serving in <b>119 countries</b> to <b>68 million</b> customers.
<b>Beginning</b>	Head quarter in United States in <b>1940</b> .Richard and Maurice McDonald reorganized business in <b>1948</b> .
<b>Operated</b>	Ray Kroc joined as Franchise agent in <b>1955</b> and purchased chain from McDonald brothers. Now it is operated by either a franchise, an affiliate or corporation itself.
<b>Types of restaurants</b>	Counter service, Drive through with indoor and outdoor seating.
<b>Mission</b>	To be the Customer's favourite place and way to eat
<b>In India</b>	McDonald is managed through Joint Venture company by 2 Indians. <ol style="list-style-type: none"> <li>1. Amit Jatia MD Handicastle restaurants pvt ltd in west and south of India</li> <li>2. Vikram Bakshi owner of Connaught Plaza Restaurants pvt ltd in north and east of India</li> </ol>
<b>Recruitment</b>	Nearly <b>4000</b> people are currently employed by McDonald in India

#### Introduction

McDonald's is one of the best-known brands worldwide. This case study shows how McDonald's continually aims to build its brand by listening to its customers. It also identifies the various stages in the marketing process. Branding develops a personality for an organization, product or service. The brand image represents how consumers view the organization. Branding only works when an organization behaves and presents itself in a consistent way. Marketing communication methods, such as advertising and promotion, are used to create the colours, designs and images, which give the brand its recognizable face. At McDonald's this is represented by its familiar logo - the Golden Arches.

Marketing involves identifying customer needs and requirements, and meeting these needs in a better way than competitors. In this way a company creates loyal customers. The starting point is to find out that potential customers are - not everyone will want what McDonald's has to offer. The people McDonald's identifies as likely customers are known as key audiences.

### The Marketing Mix and Market Research



Having identified its key audiences a company has to ensure a marketing mix is created that appeals specifically to those people.

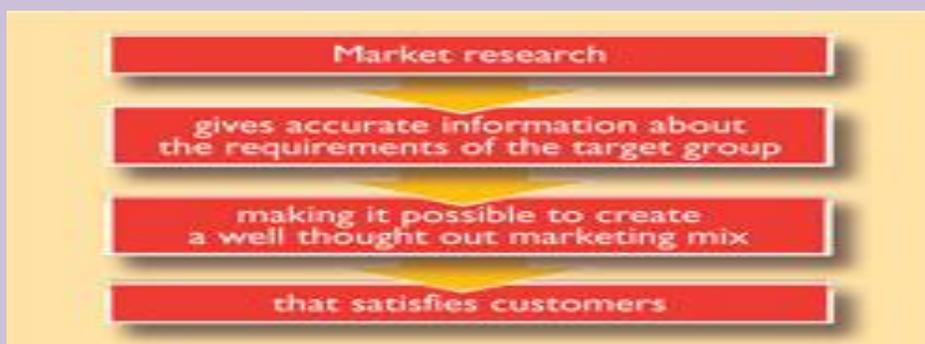
The marketing mix is a term used to describe the four main marketing tools (4Ps):

- product
- price
- promotion
- place

Using detailed information about its customers, McDonald's marketing department has determined:

1. What products are well received?
2. What prices consumers are willing to pay?
3. What TV programmes, newspapers and advertising consumers read or view?
4. What restaurants are visited?

### Market Research



Market research is the format which enables McDonald's to identify this key information.

Accurate research is essential in creating the right mix to win customer loyalty.

In all its markets McDonald's faces competition from other businesses. Additionally, economic, legal and technological changes, social factors, the retail environment and many other elements affect McDonald's success in the market.

Market research identifies these factors and anticipates how they will affect people's willingness to buy. As the economy and social attitudes change, so do buying patterns. McDonald's needs to identify whether the number of target customers is growing or shrinking and whether their buying habits will change in the future.



Market research considers everything that affects buying decisions. These buying decisions can often be affected by wider factors than just the product itself. Psychological factors are important, e.g. what image does the product give or how the consumer feels when purchasing it. These additional psychological factors are significantly important to the customer. They can be even more important than the products' physical benefits. Through marketing, McDonald's establishes a prominent position in the minds of customers. This is known as branding

**Meeting the Needs of Key Audiences**

There are a limited number of customers in the market. To build long-term business it is essential to retain people once they have become customers. Customers are not all the same. Market research identifies different types of customers. These examples represent just a few of McDonald's possible customer profiles. Each has different reasons for coming to McDonald's.

A parent with two children might visit	Visits McDonald's to give the children a treat.
The children want to visit McDonald's	As it is a fun place to eat.
A business customer	Visits McDonald's during the work day, as service is quick, the food tastes great and can be eaten in the car, without affecting a busy work schedule.
Teenager visit McDonald's	The Pound Saver Menu is affordable, and there is Internet access in some restaurants.

Using this type of information McDonald's can tailor communication to the needs of specific groups. It is their needs that determine the type of products and services offered, prices charged, promotions created and where restaurants are located. To meet the needs of the key market it is

important to analyse the internal marketing strengths of the organization. Strengths and weaknesses must be identified, so that a marketing strategy which is right for the business can be decided upon.

The analysis will include the:

- company's products and how appropriate they are for the future
  - quality of employees and how well trained they are to offer the best service to customers
  - systems and how well they function in providing customer satisfaction e.g. marketing databases and restaurant systems
- Financial resources available for marketing.

## SWOT

<b>Strengths (Internal)</b>	<b>Weaknesses (Internal)</b>
E.g. the brand, and detailed market research to create the right marketing mix.	McDonald's has been around for a long time. (therefore important to keep innovating).
<b>Opportunities (External)</b>	<b>Threats (External)</b>
E.g. increasing numbers of customers looking for food that is served in a quick and friendly way.	New competitors. Changing customer lifestyles.

Once the strengths and weaknesses are determined, they are combined with the opportunities and threats in the market place. This is known as SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats). The business can then determine what it needs to do in order to increase its chances of marketing successfully.

## Marketing Objectives

A marketing plan must be created to meet clear objectives. Objectives guide marketing actions and are used to measure how well a plan is working. These can be related to market share, sales, and goals, reaching the target audience and creating awareness in the marketplace. The objectives communicate what marketers want to achieve.

Long-term objectives are broken down into shorter-term measurable targets, which McDonald's uses as milestones along the way. Results can be analyzed regularly to see whether objectives are being met. This type of feedback allows the company to change plans. It gives flexibility. Once marketing objectives are set the next stage is to define how they will be achieved. The marketing strategy is the statement of how objectives will be delivered. It explains what marketing actions and resources will be used and how they will work together.

## The 4Ps in McDonald used as Marketing Mix

### 1. Product

The important thing to remember when offering menu items to customers is that they have a choice. They have a huge number of ways of spending their money and places to spend it.

Therefore, McDonald's places considerable emphasis on developing a menu which customers want. Market research establishes exactly what this is. However, customers' requirements change over time. What is fashionable and attractive today may be discarded tomorrow. Marketing continuously monitors customers' preferences.

In order to meet these changes, McDonald's has introduced new products and phased out old ones, and will continue to do so. Care is taken not to adversely affect the sales of one choice by introducing a new choice, which will cannibalize sales from the existing one (trade off). McDonald's knows that items on its menu will vary in popularity. Their ability to generate profits will vary at different points in their life cycle. Products go through a life cycle, which is illustrated below:



The type of marketing undertaken and the amount invested will be different, depending on the stage a product has reached. For example, the launch of a new product will typically involve television and other advertising support. At any time a company will have a portfolio of products each in a different stage of its lifecycle. Some of McDonald's options are growing in popularity while arguably the Big Mac is at the 'maturity' stage.

## **2. Price**

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. In India McDonalds classifies its products into 2 categories namely the branded affordability (BA) and branded core value products (BCV). The BCV products mainly include the McVeggie and McChicken burgers that cost Rs 50-60 and the BA products include McAloo tikki and Chicken McGrill burgers which cost Rs20-3 This has been done to satisfy consumers which different price perceptions

- Veg. Food Item-
- McVeggie ~ Price is around Rs 40-50
- McAloo Tikki ~ Rs 20–50
- Paneer Salsa Wrap ~ Rs 20–50
- Crispy Chinese ~ Rs 20–50
- Veg McCurry Pan ~ Rs 20–50
- Pizza McPuff – ( i forgot the price )
- Large Fries ~ Rs.40- 50
- Happy Meal ~ Rs.50-60
- Combos ~ Rs.30-Rs.70
- Soft Drink ~ Rs.20

### **Non Veg. Food Item**

- Chicken Maharaja Mac
- McChicken - Rs 50- 55
- Filet-O-Fish
- Chicken McGrill
- Chicken McCurry Pan

## **3. Promotions**

The promotions aspect of the marketing mix covers all types of marketing communications. The methods include advertising, sometimes known as 'above the line' activity. Advertising is conducted on TV, radio, cinema, online, poster sites and in the press (newspapers, magazines). What distinguishes advertising from other marketing communications is that media owners are paid before the advertiser can take space in the medium. Other promotional methods include sales promotions, point of sale display, merchandising, direct mail, telemarketing, exhibitions, seminars, loyalty schemes, door drops, demonstrations, etc.

The skill in marketing communications is to develop a campaign which uses several of these methods in a way that provides the most effective results. For example, TV advertising makes

people aware of a food item and press advertising provides more detail. This may be supported by in store promotions to get people to try the product and a collectable promotional device to encourage them to keep buying the item. It is imperative that the messages communicated support each other and do not confuse customers. A thorough understanding represents is the key to a consistent message



The purpose of most marketing communications is to move the target audience to some type of action. This may be to: buy the product, visit a restaurant, recommend the choice to a friend or increase purchase of the menu item. Key objectives of advertising are to make people aware of an item, feel positive about it and remember it. The more McDonald's knows about the people it is serving the more it is able to communicate messages which appeal to them. Messages should gain customers' attention and keep their interest. The next stage is to get them to want what is offered. Showing the benefits which they will obtain by taking action, is usually sufficient. The right messages must be targeted at the right audience, using the right media. For example, to reach a single professional woman with income above a certain level, it may be better to take an advertisement in Cosmopolitan than Woman's Own. To advertise to mothers with children, it may be more effective to take advertising space in cinemas during Disney films. The right media depends on who the viewers, readers or listeners are and how closely they resemble the target audience.

At McDonalds the prime focus is on targeting children. In happy meals too which are targeted at children small toys are given along with the meal. Apart from this, various schemes for winning prizes by way of lucky draws and also scratch cards are given when an order is placed on the various mean combos Even the company is giving free coupons to its employees for gratification

#### 4. Place

Place in the marketing mix, is not just about the physical location or distribution points for products. It encompasses the management of a range of processes involved in bringing products to the end consumer. McDonald's outlets are very evenly spread throughout the cities making them very accessible. Drive in and drive through options make McDonald's products further convenient to the consumers. The food manufacturing process at McDonalds is completely transparent i.e. the whole process is visible to the customers. In fact, the fast food joint allows its customers to view and judge the hygienic standards at McDonalds by allowing them to enter the area where the process takes place. The customers are invited to check the ingredients used in food:- McDonalds focuses on clean and hygienic interiors of its outlets and at the same time the interiors are attractive and the fast food joint maintains a proper decorum at its joints McDonald's restaurants are found in 119 countries and territories around the world and serve 58 million customers each day. McDonald's operates over 31,000 restaurants worldwide, employing more than 1.5 million people

#### FINDINGS

1. **Place:-** The outlets of the fast food company are less especially in small towns and cities like Chandigarh.
2. **Product:-** The McD group is focusing only on small children with happy meals by putting toys. There is less variety for youth as well as for old people.
3. **Promotion:-** Promotion is done only by electronic media, use of print media is very less.
4. **Price:-** There are very less combos in food in which people can get more variety at less cost.

#### SUGGESTIONS

1. **Place:-** There should be more outlets in the cities like Chandigarh and small towns where people can easily hang out and more employees should be recruited.
2. **Product;-** There should be more happy meals not only for small children but for youth and old people.
3. **Promotion;-** McDonald should promote the company by print media, banners etc. the companies should start home delivery facilities also.
4. **Product;-**The prices should remain stable to retain existing customers and attract more customers.

#### CONCLUSION

Marketing mix is very since very beginning of the marketing but with the change in the working environment the mixture of the marketing components changes which again depends on the nature, size, and philosophy of the industry. If this mixture is not maintained in a optimal way then it may lead to negative results. In the study of McDonalds it can be concluded that the company has been so far able to maintain a suitable marketing mix and therefore it has become able to capture a reasonable size of the market and well popular in big as well as small towns which helped the company to build a brand name.

## REFERENCES

1. History of McDonald ( McDonald's India) retrieved on April 5,2014 at 1.00 pm from **McDonaldsinIndia.pdf**
2. Mission of McDonalds retrieved on April5,2014 at 1.15pm from [www.aboutmcdonalds.com](http://www.aboutmcdonalds.com)
3. McDonalds case study on Marketing Mix retrieved on April 9,2014 at 12.30am from [www.businesscasestudies.co.uk](http://www.businesscasestudies.co.uk)
4. Marketing Definition retrieved on April9,2014 at 1.00am from <http://heidicohen.com/marketing-definition/>
5. Concept of Marketing Mix, Examples of marketing mix retrieved on April11,2014 at 2.00pm from [www.nios.ac.in](http://www.nios.ac.in)
6. Concept(Marketing)retrieved on April11,2014 at 2.30pm from [www.businessdictionary.com](http://www.businessdictionary.com)
7. Mason RB A Marketing Mix Model (Studies related to marketing mix ) Retrieved on May 16,2014at 10.30pm from [wlv.openrepository.compdf](http://wlv.openrepository.com/pdf)
8. **Chai Lee Goi** *International Journal of Marketing Studies* Vol. 1, No. 1 (A Review of Marketing Mix: 4Ps or More?) retrieved on May 16,2014 at 11.45pm from [www.ccsenedotorgslashjournalhtml](http://www.ccsenedotorgslashjournalhtml)
9. Michael Gaither Nikki Doolittle MKT421 Michael Gaither University of Phoenix **Article( Marketing Mix)** retrieved on May29,2014 at 6.45pm from <http://www.cyberessays.com>
10. Dr. Chidambaram 1994 ( Studies related to marketing mix ) retrieved on May 16,2014 at 9.15pm from [www.shodhganga.inflibnet.ac.in](http://www.shodhganga.inflibnet.ac.in)