

Building a Strong Brand: A Case Study of McDonald's Corporation

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Zpracujte kritickou literární rešerši k tématu budování silné značky.

Praktická část

Popište vznik značky McDonald's.

Analyzujte proces budování značky společnosti McDonald's.

Zhodnoťte významné milníky, které ovlivnily existenci značky McDonald's.

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ABSTRAKT

Cílem bakalářské práce je zhodnotit významné milníky, které ovlivnily vznik značky McDonald's. V teoretické části je zpracována kritická literární rešerše k tématu budování silné značky. Praktická část se zabývá vznikem značky McDonald's a analyzuje procesy jejího budování. V závěru jsou identifikovány milníky, které zásadně ovlivnily budování značky McDonald's do podoby, v jaké ji vnímáme dnes.

Klíčová slova: McDonald's, budování značky, marketingové strategie, konkurenční výhoda, identita značky, hodnota značky

ABSTRACT

The aim of this bachelor thesis is to evaluate significant milestones that influenced the creation of the McDonald's brand. The theoretical part deals with the critical literature review on building a strong brand. The practical part explores the emergence of brand McDonald's and analyzes the processes of its construction. Also included is identification of milestones that significantly affected McDonald's and how the corporation grew into what it is today.

Keywords: McDonald's, brand-building, marketing strategies, competitive advantage, brand identity, brand equity

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INTRODUCTION

“The two most important requirements for major success are: first, being in the right place at the right time, and second, doing something about it.”

Ray Kroc, McDonald’s Founder

I have always admired people who build something big just because of good ideas and hard work. One of them was Ray Kroc. The idea to write about McDonald’s Corporation resulted from his autobiographical book which I read last year. I was impressed how such a small company can grow into a global leader and became an integral part of various aspects of culture, economics and life around us. Due to further study of specialized literature on this topic, I gained knowledge of brand-building and immediately had an opportunity to compare what is important for building a strong brand and how the McDonald’s Corporation successfully fulfilled these steps. The thesis is divided into two parts. The theoretical part deals with the critical literature review on building a strong brand. It also deals with brands and their origins, naming, brand equity, brand identity, and features, which strengthens the brand in order to be as strong as possible in the market. All this acquired information serves as the basis for the practical part of the thesis. The practical part of this thesis is divided into past and present. The past deals with the history of McDonald’s and its formation in its early beginnings. The present is about its current situation in the market, new marketing strategies, innovations, breaking the diversity barriers and building positive associations with the customers. The last chapter is devoted to summary of the whole work where the milestones are identified and sorted in ascending order of the year in which they were implemented.

I. THEORY

1 BRANDS AND THEIR ORIGIN

1.1 History of Brands

In the past, the term “brand” was used as an expression for “burn,” because people wanted to mark their property by burning a sign onto it (Healey 2008, 6).

In medieval Europe, brands served for user’s recognition of goods and for assurance that he made a good deal when buying the product (Aaker 1991, 7-8).

In the sixteenth century, sellers used brands for distinguishing higher class products from cheaper ones which were non-branded (Kotler 2007, 312).

Until the twentieth century, brands were used only for commerce, but since then, brands have become a matter of competition. The situation between competitors in the market led to the development of marketing. The role of marketing was to differentiate the product from others by various techniques, such as distribution, packaging, names, attributes, or advertising (Aaker 1991, 7-8).

Today, only a few newly introduced brands are successful in this competitive market and later get the opportunity to become a strong brand. This is because today’s market has better developed marketing strategies, higher promotional expenses, and a growing number of competitors in the market (Aaker 1991, 7-8).

1.2 What is the Brand

David A. Aaker defines brand this way: “A brand is a distinguishing name and/or symbol (such as logo, trademark or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors” (Aaker 1991, 7).

Brands are all around us. Some of them are well-known, some of them are not. When building a strong brand, it is important that people are able to identify the brand, distinguish it from competitors and create their own associations connected with the specific brand (Aaker 2002, 8).

1.3 Functions of Brands

Brands have several functions. One of them is to help its users distinguish the products from others in the same product line (Aaker 1991, 7). Another function is user product quality, which is based on their previous experience (Kotler 2007, 312).

Brands give companies the ability to choose the best marketing strategy for the product (Aaker 1991, 7). They are also very important inside the company. They simplify the handling and monitoring of the product and are very helpful when it comes to the sorting of goods (Kotler 2007, 312). Lastly, brands provide legal protection of the product from competitors (Keller 2008, 143-144).

1.4 The Brand's Name

The term “brand” might be used for things, services, organizations, or places (Healey 2008, 6). Picking a name that will represent a strong brand in the future requires a lot of effort. A properly chosen name can be a prominent part of marketing strategy for the company. By properly choosing a name a company saves a huge amount of money required for propagation (Healey 2008, 86). The goal a strong brand needs to reach is to have a dominant name (Aaker 2002, 15-16).

The name of a brand can be:

Functional – expresses what the brand offers (Pizza Hut, Taco Bell)

Fictional – based on rhythmical sounds or old languages such as Greek, Latin, etc.
(Arena, Oral-B)

Empirical – based on experience (Yard-Man, Hot Wheels)

Evocative – chosen for showing strength or loyalty (Champion, Puma)

Referential name – refers to brand's founder, (Heinz, McDonald's)

Abbreviation – a shortened form of a word or a phrase (KFC, LG) (Healey 2008, 86)

2 THE BRAND EQUITY

"Brand equity is a set of assets (and liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm's customers" (Aaker 2002, 7-8).

According to Aaker, the equity of a strong brand should contain the following elements at their highest possible level, (see *Figure 1*):

Brand awareness

Brand loyalty

Perceived quality

Associations connected with the brand (Aaker 1991, 16).

2.1 Brand Awareness

The brand awareness can be measured through the customer's recognition of the brand or by its recalling. For building a strong brand, it is crucial to reach the stage where customer's awareness of the brand is dominant. This means that for respondents, what comes to mind is only one brand in the line of products in the sector - without any competitor association whatsoever (Keller 2008, 56).

Name awareness can be achieved through different marketing strategies like promotion through different events, sponsorship, or programs for helping the public (Aaker 2002, 16).

2.2 Brand Loyalty

To build a strong brand it is essential to create customer brand loyalty (Keller 2008, 74). By using this value a company can predict its sales and profitability. When the company wants to keep their permanent customers and attract new ones, it is important to invest into marketing tools. Marketing is important, because attracting a new customer is far more difficult than keeping one (Aaker 1991, 19).

Strengthening of customer loyalty can be achieved through different programs for permanent customers or customer clubs (Aaker 2002, 23).

2.3 Perceived Quality

Perceived quality is one of the key tools to distinguish one product from another. When a customer owns a product made by a well-known brand, it is usually perceived as a

higher quality product than a generic, non-branded one (Healey 2008, 10). Perceived quality is based on the customer's previous experiences and associations with the brand.

Perceived quality is also considered as a major strategic thrust of a company (Aaker 2002, 17-19), because a company relies heavily on a good reputation of their brand, even if their product is not as high a quality as another. Brand associations are strongly connected to perceive quality.

2.4 Associations Connected with Brands

A brand association can be anything that comes to a persons' mind when talking about a specific brand. Also, this association in the customer's mind can be connected with competitor's brand (Keller 2008, 58).

When building a strong brand, it is recommended to create positive associations. The more positive associations are connected with the brand, the more customers will be convinced to buy the products (Keller 2008, 58). The more positive associations that are connected to the brand, the more customers will be-convinced to buy the product (Aaker 1991, 109).

Associations are partially a matter of marketing strategies of the company. The more the product is known and propagated, the more associations come to the customer's mind when hearing the name of the brand.

2.5 Criteria for Choosing Different Elements of Brand Equity

When building brand equity, it is important to choose the right elements that will help make the brand stronger. According to Kevin Lane Keller, there are six criteria:

1. Memorability
2. Meaningfulness
3. Likeability
4. Transferability
5. Adaptability
6. Protectability (Keller 2008, 140).

The first three are used when talking about brand building. The last three are used when talking about how to use brand value effectively and how to protect that brand (Keller 2008, 140).

2.5.1 Memorability

Memorability is building a strong brand that is easily recognized by customers. It can be reached through a brand's symbol, logos, etc (Keller 2008, 140). It is proven that symbols and logos are easier to remember and identify than just common signs on products. The customer's recognition increases when the symbol is very strong. This is closely connected with the customer's associations of the brand (Aaker 2002, 203).

2.5.2 Meaningfulness

As memorability, meaningfulness is also connected with the customer's association of the brand. Brands can carry different meanings, but two different aspects of brand elements are very important according to Kevin Lane Keller:

- General information about nature of the product category
- Specific information about particular attributes and benefits of the brand

(Keller 2008, 141).

2.5.3 Likeability

Likeability mainly depends on the customer's view. How much the customer likes the brand may not be connected just with his associations - it can be for example a picture or a funny sign that convince him to buy the product (Keller 2008, 142).

Likeability goes hand in hand with memorability and meaningfulness. If a product has less benefits than another, the company must put more effort into the specific propagation and invest into making it more likeable (Keller 2008, 142). Finally, likability can be a vital tool that could convince a customer to buy the product.

2.5.4 Transferability

When building a strong brand, it is essential to create a name that cannot be transferable. Elements of transferability can be found in range of products, or in range of geographical meaning (Keller 2008, 142-143). A strong brand should have name that cannot be transferable. The name must be original, easy to remember, attractive, short, easy to distribute, and easy to pronounce (Healey 2008, 86-88).

When a company wants to spread its brand to other states, linguistic problems may occur when translating a brand name or its slogans (Keller 2008, 143). Some companies have to rename their products because of bad associations with their names (Healey 2008, 89).

Also, a company must consider different associations with given name of the product in different markets across the world where they will probably distribute their products.

2.5.5 Adaptability

If a company wants to be up-to-date, elements of the brand or products have to be innovated from time to time. Companies that innovate on a daily basis have a tendency to be strong brands (Healey 2008, 16). “The more adaptable and flexible the brand element, the easier it is to update it.” (Keller 2008, 143). Everything can be updated – a company’s logo, its symbol, or its slogan (Keller 2008, 143).

2.5.6 Protectability

Every brand should be protected, whether through legal protection or protection against competitors. If the brand is not protected, competitors might copy parts of their product or the brand’s name (Keller 2008, 143-144). If this happens a company can lose its uniqueness and consequently might not be as attractive to customers (Healey 2008, 54).

3 STEPS FOR BUILDING A STRONG BRAND

According to Kevin Lane Keller, there are four major steps that should be kept in mind when building a strong brand:

1. Brand identity
2. Brand meaning
3. Brand responses
4. Brand relationships (Keller 2008, 60)

These steps should follow each other in the order they are numbered above (Keller 2008, 60).

3.1 Brand Identity

Brand identity should characterize the brand for a customer. Customers should have a number of associations related to the brand identity.

Two types of brand identities are known: core and instant.

Core identity stays the same no matter the change in new markets or products.

Instant identity contains some elements of identity that gives the brand its completeness (Aaker 2002, 68).

According to Aaker, core brand identity can be divided into the following sections (see *figure 2*):

- The brand-as-product
- The brand-as-organization
- The brand-as-person
- The brand-as-symbol (Aaker 2002, 68).

Creation of these brand identities requires cooperation in marketing, organizational behavior, and strategy (Taylor 2007, 48).

The stronger the brand is, the more associations a customer has (Keller 2008, 60 - 61). Customer should be capable of generating a value based on his associations connected with the brand.

3.1.1 The Brand-as-Product

Customer association with the brand and its product are necessary for creating brand identity. Products are able to provide functional or emotional self-expressive benefits for the customer. When building a strong brand, it is essential to offer a customer something more or something better to fulfill these benefits or to create even more positive

associations (Aaker 2002, 78-80). This also plays an important role when a company wants to get rid of competitors.

3.1.2 The Brand-as-Organization

This includes everything that can be considered as part of an organization. It can be a quality of products and its innovations, different programs for society, or an employee's attitude toward customers. A brand's organization can fulfill a customer's functional or emotional benefits – he can admire the brand or he can simply agree with things that the company provides (Aaker 2002, 82-83).

3.1.3 The Brand-as-Person

It is proven that a product is better sold when the profile of the brand agrees with the customer's profile. People tend to give human qualities to intangible things. Due to this, a customer can create a positive or a negative relationship, build his connection, or identify himself with the brand (Healey 2008, 82). Brand personality can also tell the customer how a product functions (Aaker 2002, 72).

3.1.4 The Brand-as-Symbol

“Anything that represents a brand can be a symbol including programs” (Aaker 2002, 84). All of these elements can be parts of a brand strategy (Aaker 2002, 85).

Symbols and logos play the key role when it comes to brand recognition and customer associations of the brand (Keller 2008, 155). They both have the ability to arouse customer emotions if they are connected to the brand (Healey 2008, 90).

A brand can be represented by its jingle (Keller 2008, 161). Due to customer associations the tune should be catchy and easy to remember. The package of a product is also important because when the customer is shopping it will probably be the first thing that catches their attention (Healey 2008, 106). Shapes and colors play a very important role also because multiple chromes have the ability to evoke different moods for customers (Healey 2008, 92).

In today's market every brand should have its own website, because customers use the internet regularly (Keller 2008, 154-155). The internet is a part of brand propagation and as such is used to introduce new brands. If a brand has its own website, customers are able to get multi-faceted information about products they are interested in.

3.2 Brand Meaning

Once brand identity is set, the next step is to create brand meaning. Brand meaning is more than just a separate element of brand identity. When creating the stage of a brand's meaning, a customer must be able to recall their own associations of it: what the brand represents and what services or products he can find under that brand's name. They can also combine the elements from a brand's identity altogether, including the symbol, name and logo (Keller 2008, 59-61).

3.3 Brand Responses

To build a strong brand requires positive responses from its customers. Every customer expects something different; such as quality of the product, price, and efficiency of the brand services (Keller 2008, 64-65). When building a strong brand the company must satisfy customer demands because a satisfied customer will buy and promote more brand products. This is one way a company can better rival other competitors in the market.

3.4 Brand Relationships

The last step of building a strong brand is to create a relationship between the brand and its customer. There are two ways to build a strong relationship. The first one is through personification of the brand, which is connected with brand-as-person (3.1.4), (Taylor 2007, 51). The other is to offer something better to the customers, such as services, price, etc. (Aaker 2002, 103).

4 TOP TEN FEATURES OF A STRONG BRAND

According to Kevin Lane Keller, there are ten features that successful brands have in common:

1. “The brand excels at delivering the benefits customers truly desire” (Keller 2000, 4).

To achieve the highest amount of positive associations companies should offer different services to their customers, such as joining their clubs or programs to acquire permanent customers.

2. “The brand stays relevant” (Keller 2000, 4).

The brand needs to be highly connected with customer personalities. This means the customer evaluates what the exact brand means to him. It is great, if a customer is able to connect their own personalities with the brand. Consequently, brands should stay current with other products in the same range of the market. Companies need to innovate their products to keep repeat customers (Keller 2000, 4).

3. “The pricing strategy is based on consumer perceptions of value” (Keller 2000, 6).

There are a lot of pricing strategies. A commonly used strategy is when a company adds the cost of product and margins together (Keller 2000, 6). Later, the company monitors the price to suit customers and counts how many of them are willing to buy the product.

4. “The brand is properly positioned” (Keller 2000, 6).

It is essential to be different from competitors (Keller 2000, 6). This can be achieved through different elements, such as price, package, different marketing strategies, etc.

5. “The brand is consistent” (Keller 2000, 6).

This means that a brand cannot mystify people by claiming something one time as well as the inverse (Keller 2000, 6-7).

6. “The brand portfolio and hierarchy make sense” (Keller 2000, 7).

Companies operate under one brand, but sometimes companies create sub-brands. Sub-brands are created because it could be over-arching to cover all markets with one

brand name. Sub-brands are usually positioned throughout different markets. In certain markets, each brand should create its own boundaries (Keller 2000, 7).

7. “The brand makes use of and coordinates a full repertoire of marketing activities to build equity” (Keller 2000, 7).

Brands should protect their marketing elements and use customer’s awareness and associations in order to keep it protected from competitors. Brands can build their equity through different marketing activities, for example associate the brand with different programs such as charity events or games- (Keller 2000, 7-8).

8. “The brand managers understand what the brand means to consumers” (Keller 2000, 8).

All the managers of the company should be familiar with the program of the company in which they work and with different attitudes and opinions of their customers. Based on these customer responses, managers should be able to make various decisions about the brand, the company, and its products. It is essential for every manager to feel as a part of the company or brand (Keller 2000, 8).

9. “The brand is given proper support, and that support is sustained over the long run” (Keller 2000, 8).

All marketing programs of a brand should be fully understood by customers before the change occurs. Customers must be able to create their own associations and awareness with the brand. Companies must also be sure that their brand has sufficient research and development (Keller 2000, 8).

10. “The company monitors sources of brand equity” (Keller 2000, 8).

Companies usually provide audits inside the company and research from customers. This research provides analysis and either results or solves a company’s need for achieving its goals (Keller 2000, 8-9).

II. ANALYSIS

5 MCDONALD'S BRAND BUILDING IN THE PAST

5.1 History of McDonald's

In the late 1940's, brothers Dick and Mac McDonald opened their first McDonald's Bar-B-Que in San Bernardino, California. It was a small drive-in, which offered a large menu and a carhop service. Eight years later the brothers closed their restaurant for three months. During that time they removed carhops in favor of self-service, drive-through restaurant, reduced the menu, and lowered the price of hamburgers – from competitive 30 to 15 cents (McDonald's Corporation).

After re-opening, the reduced hamburger price had a big impact on customers – it was not unusual to have 150 people waiting in line to get hamburgers during lunchtime. Because of this, McDonald's annual revenues doubled to \$350,000 compared to their old drive-in. (Harris 2009, 15-16). When McDonald's became successful on a local level, the brothers were satisfied and had no plans to extend to an international level until they met Ray Kroc (Harris 2009, 15-16).

Ray Kroc was a 52-year-old milkshake machine salesman, who was impressed by the McDonald's system. He built a relationship with the brothers and convinced them to assign him as their exclusive franchising agent. In 1955, he formed his own franchising company under the name of McDonald's System, Inc. A month later, he opened his first restaurant in Des Plaines, Illinois. He kept the menu and added some of his standards such as quality, service, cleanliness, and value. (Gilbert 2009, 6-8). These standards are kept to this day and are one of many factors why McDonald's became successful.

5.2 Strategic Brand Analysis - Corporate Values and Moral Principles

McDonald's reached part of its success through people working in key positions (Kroc and Anderson 1987, 96). One was Fred Turner, who became the head of McDonald's operations. He was the first person to define values such as high level of quality, service, and cleanliness as part of a corporation (McDonald's Corporation). Since that time, these values have become highly important for McDonald's and are used as part of its marketing strategy (Kincheloe 2002, 109).

McDonald's has created strict moral principles, such as honesty, integrity, courage, relationships, recognition, communication, standards, and leading by example to support its corporate values (Facella and Genn 2008, IX). These principles made this brand stronger in the company's beginning (Kroc and Anderson 1987, 150). One example of

maintaining these principles is an alliance called the “Three legged stool,” where three units (McDonald’s, franchises, and McDonald’s suppliers) team up as partners working together (McDonald’s Corporation). This alliance is one of the reasons why McDonald’s became so successful (Facella and Genn 2008, XVIII). Each leg is led to choose honesty and integrity over quick profit to build lasting relationships. They believe that this concept will grow a faster team rather than separate units (Facella and Genn 2008, 22). These examples of moral principles can be found inside the corporation too (the working position within the corporation does not matter). Each person is encouraged to build relationships and trust with one other. It means that if someone fails, others will fail too (Facella and Genn 2008, 57).

These values were important for McDonald’s success and growth. They are still kept to this day and are continuously spreading to the public. They represent a vision which McDonald’s has as a brand and corporation.

5.3 Brand Equity

5.3.1 Building McDonald’s First Brand Awareness

When Ray Kroc started building new stores, he realized that he had to promote his brand to the public to make it as widely recognized as possible. During the growth of McDonald’s he presented local advertising campaigns (Kroc and Anderson 1987, 112) and held multiple press conferences (Kroc and Anderson 1987, 127). He knew that advertising was crucial to build a strong brand and asked his operators to help him by contributing one percent of their gross to the advertising campaign. He was unsuccessful with the idea because operators did not realize that the advertising would benefit them as much as it did McDonald’s (Kroc and Anderson 1987, 113). Thanks to its growth, Kroc was able to break into television with his first two TV spots in 1963 (Gilbert 2009, 14). Later, McDonald’s continued with its first television commercial on NBC and CBS networks. The commercial was broadcasted during the Macy’s Thanksgiving Day Parade and was crucial for growth of the company. The commercial was seen by a large amount of people. As a result, sales increased nationwide by eight percent in a short time. Due to the commercials success, McDonald’s decided to invest into a sporting event: the first Super Bowl. It was one of the most widely watched programs in history, and McDonald’s was only a sponsor of the event: its sales increased in 22 percent per month than the previous year (Gilbert 2009, 16-

18). McDonald's has had means of payment to form its Advertising Fund since that time. By creating it, they were able to launch into the national television as an organization.

5.3.2 Perceived Quality – an Important Factor of Success

Vision of McDonald's in the beginning was not just to be known for its brand or name. They wanted to be known also for quality of food and uniform methods of preparations (Kroc and Anderson 1987, 86). Since Fred Turner had established levels of QSCV (Quality, Service, Cleanliness and Value), (Kroc and Anderson 1987, 91). Those corporate values were emphasized in every procedure. Keeping the same quality over time required a lot of drilling and learning to provide service the McDonald's way (Kroc and Anderson 1987, 90).

Knowing that quality was one factor of McDonald's success, managers wanted to avoid diluting quality in order to increase profit. They had to control their employees because they knew it would have a negative effect not just on their business, but also on McDonald's. By diluting the quality, they would most likely face customers leaving to their competitors which would decrease their profit (Kroc and Anderson 1987, 84).

In order to reach quality, McDonald's created Quality Assurance teams that were responsible for monitoring quality in all stages of production. The task of these teams is to provide planned and unplanned visits, inspections, and audits of fast-food. This is another feature that distinguishes this corporation from its competitors (Vignali Claudio, Emerald Insight, 100).

5.3.3 Creating Positive Brand Associations through the Programs for Public

McDonald's has always been influenced by public attitudes (Pravdová 2006, 26). Programs for society are a way of creating positive associations, connecting the brand with the corporation, and offering something to society.

Ray Kroc founded the Kroc Foundation. The Foundation's task was to support research of diseases such as diabetes, arthritis, and multiple sclerosis. Kroc wanted to improve life and partially solve problems of young people and families because they played an important role in the development and success of McDonald's (Kroc and Anderson 1987, 193-195). Later Ronald McDonald House was founded. It is a program which functions on the same principles as the Kroc Foundation, to help people who need it and spend money in functional ways. These programs were built on the idea to create a home away from home where parents have the opportunity to be with their ill child; once the child is cured they will have time to relax. Today there over 300 houses built in more

than 53 countries and welcome nearly 7,200 families every night (McDonald's Corporation).

5.3.4 Other Proprietary Brand Assets - Efficiency of Service

McDonald's attracts a lot of customers because its efficiency of service. It offers a model that can be crucial to satisfy customers' needs. McDonald's is able to satisfy these needs by serving food in a very short time. This saves the customer's time, which is an important factor of why McDonald's is so popular nowadays. The customer knows what food he can expect because of its uniformity (Ritzer 1996, 26-28).

To speed up production everything the staff needs for their work is positioned in the most efficient way (Kroc and Anderson 1987, 95). The kitchen switched from using glass dishes to plastic cutlery and paper bags, so that there was no need to wash dishes. This change enormously decreased cost. The McDonald's menu was also changed, reducing it to only nine different items (Love 1995, 15). The McDonald's crew was able to fulfill one of their corporate goals: satisfy customer orders within 90 seconds (Vignali Claudio, Emerald Insight, 109). As a result, the customers considered McDonald's as the fastest fast-food restaurant (Hokey and Hyesung, Emerald Insight, 283).

5.4 Brand Identity System

5.4.1 McDonald's-as-Product – Building Success through Hamburgers

McDonald's has always been a Corporation that was strongly focused on its customers and their needs. Managers of McDonald's knew that affordable prices would attract new customers (Kiran Chetry, EBSCOhost). Affordable price was one of the first marketing strategies McDonald's started to use in its beginning. The price of hamburger was lowered from thirty-five to a competitive fifteen-cents. Due to this attractive and affordable price, McDonald's rid itself of competitors. McDonald's gained a lot of new customers because of fewer competition in the market. In addition, customers were now able to associate product with the brand (Kroc and Anderson 1987, 158). A couple years later McDonald's sold its hundred millionth hamburger (McDonald's Corporation). To highlight this fact, McDonald's exhibited an advertisement in front of each branch-store to give a simple message to its customers; increasing the number of sold hamburgers was not just a success of McDonald's as a whole, but a result of high quality as well. The purpose of this message was to make customers realize that the quantity of sold hamburgers equaled the quality of products, which had always been important to this McDonald's (Ritzer 1996, 73).

5.4.2 McDonald's-as-Person – Building Relationship through Figure of Ronald McDonald

Since its beginning, McDonald's built its relationship with younger customers through a figure of clown named Ronald McDonald. This clown was first introduced during the Macy's Thanksgiving Day parade in New York in 1966 (Kroc and Anderson 1987, 150). After Ronald McDonald's appearance in the parade, ninety-six percent of American schoolchildren were able to recognize him (Schlosser 1998, 1).

5.4.3 McDonald's-as-Symbol – The Golden Arches

McDonald's partially built its strong brand recognition thanks to the golden arches as an easily recognizable symbol (Ritzer 1996, 22).

Originally, the golden arches were solely designed as a structural support for the McDonald's buildings. Managers did not like the circuslike design, which could be seen from blocks away, but without the arches it was just an ordinary building. Ordinary things do not attract customers, therefore managers decided to keep the arches. Overtime people associated the golden arches with McDonald's. This symbol became an important part of the McDonald's system (Love 1995, 20-21).

McDonald's was aware of its quantitative achievements from the beginning. They emphasized it in various ways such as symbols, arches, and huge signs that told customers how many millions of hamburgers they sold. When McDonald's became famous such advertisement was not necessary, therefore they began to get the customer to understand other values of the corporation (Ritzer 1996, 73). The Golden Arches are recognized all around the world as a symbol of McDonald's (Schlosser 1998, 1).

6 MCDONALD'S BRAND BUILDING TODAY

6.1 McDonald's Nowadays

Since the opening of the first Ray Kroc's restaurant McDonald's has undergone many different changes. All of them were focused primarily on strengthening the success and recognition of the McDonald's brand. This success was achieved in 1997, when the firm Interbrand published that McDonald's replaced Coca-Cola as the world best-known brand (Gilbert 2009, 32).

McDonald's also dominates the food service industry and is considered the fourth biggest retailer. With more than 32,000 restaurants spread across the world, McDonald's covers around 14 percent of all fast-food visits in United States. People visit McDonald's to enjoy the hamburgers, which are the best-sellers of the brand. To this day, McDonald's has already sold over 100 billion of them. Lastly, it is one of the biggest employers in the world. Its entire work force consists of more than 500,000 people (Love 1995, 2-5) and operates in 117 countries (McDonald's Corporation).

McDonald's represents a source of inspiration and strength for other companies. Some companies begin their brand name with Mc in order to show the public that they are mimicking the McDonald's model (Ritzer 1996, 20-21). From the information above it is clear that McDonald's, thanks to its major success, has become an integral part of various aspects of culture, economics, and life around us.

6.2 Brand Equity

6.2.1 Brand Awareness Nowadays

Today McDonald's is famous for its advertising and marketing campaigns. McDonalds spends more than \$ 1 billion a year on promoting its brand; (Love 1995, 1-2), which is more than any other corporation does (Schlosser, 1998). This helps it to become a global leader (Facella and Genn 2008, 175).

McDonalds commercials are adapted to different social groups by time and geography. Their most important demographic target is children. McDonald's anticipates that children are easily influenced, and they use this influence as an astute part of their marketing strategy: they broadcast the commercial in the morning when children are watching cartoons (Ritzer 1996, 22). If the children like the commercials they bring their parents to McDonald's and thus become new customers (Kroc and Anderson 1987, 114). These

commercials are constantly changing to attract more customers (Ritzer 1996, 22). There are still times when people like to visit different fast-food companies other than McDonald's. McDonald's recognizes this and becomes creative with something new (Gilbert 2009, 34), for example, its managers run new marketing campaigns or catchy jingles in order to bring back customers (Gilbert 2009, 42).

Due to diversity and difference in culture, McDonald's has to think about the right marketing strategies. In Beijing it is not profitable to put commercials into broadcast because it would appear only in intervals between programs. Managers realize that it is more strategic to put advertising into newspapers and magazines. In Hong Kong, McDonald's owes its success to its environmental awareness, which is seen as an important attribute. This attribute allows local consumers make their own associations with the brand (Vignali Claudio, Emerald Insight, 105-106).

Advertising geographically helps build brand awareness and has always been important to McDonald's. McDonald's has the resources to make good brand awareness, and they reach it by using different marketing strategies with regard to diversity. These embedded monetary resources are returned in the form of newly attracted customers, which have an impact on profitability in the corporation. By using their market strategy with regard to diversity and geography they are able to strengthen the brand.

6.2.2 Brand Associations – McDonald's Image

The McDonald's Corporation has always sought for creating a family image that keeps the customers mind to create a positive association (Kroc and Anderson 1987, 84). They build their image on an entertainment-based and fun-producing corporation (Kincheloe 2002, 10). They also build it on image of a company that helps people who need it. To create an even deeper image and help to extend its power, McDonald's cooperates with other strong brands such as Coca-Cola and Disney (Kincheloe 2002, 10).

6.2.3 Other Proprietary Brand Assets - Competitive Advantage

McDonald's focuses primarily on their customers because its managers believe that this strategy will keep the brand ahead of the competition (Facella and Genn 2008, VII-VIII). Therefore managers are trained to understand corporate and local culture. By learning local culture, they are able to communicate and understand local customers better. This skill in McDonald's is even more valued than a technical ability (Vignali Claudio, Emerald Insight, 107).

Other strengths of this company is that they are never satisfied because of the high

standards they have always tried to achieve. Without these standards, (quality, service and cleanliness) they would not have achieved success and would have had no chance to be ahead of competitors (Facella and Genn 2008, 87).

Lastly, what keeps McDonald's ahead of its competitors is getting each of its members involved in the McDonald's community as much as possible. For example, when an employee decides to open their own franchisee they are encouraged to stay in close contact with McDonald's managers. Then employee is asked to spend at least 500 hours working in a McDonald's restaurant to get a clear knowledge of how McDonald's works and operates. They are also invited to attend Hamburger University for management classes, where they learn how to polish their management skills. They also learn how to manage a restaurant, how to train his own people, and many other useful things that will help to run their new business successfully (Kroc and Anderson 1987, 179).

To be ahead of competitors, McDonald's operates in 117 countries. There is a huge diversity among McDonald's employees because of this. McDonald's wanted to train and educate its entire work force in the same way with the same values. They accomplished this through Hamburger University, which provides training in 22 languages; its teaching is adapted to suit the needs of overseas students as well. They also built additional training centers in Germany, Great Britain, Australia, China and Japan (Vignali Claudio, Emerald Insight, 108).

McDonald's is constantly trying to be ahead of competitors in every way. This is achieved through moral principles, corporate values, marketing strategy, education, and breaking diversity barriers which strengthen the brand. McDonalds always strives to come up with something different than other corporations, which is how this brand has been more successful than its competitors.

6.2.4 Other Proprietary Brand Assets - Adaptability of Innovations and Ideas

The concept of the McDonald's Corporation is based on success of the whole system, not just on a single store or operator. To be successful as a whole requires educating and subsequent performance monitoring of an individual operator (Kroc and Anderson 1987, 86).

Managers realized that in order to stay ahead of competitors right from the beginning, they needed a full-time program focused on research and development (Kroc and Anderson 1987, 86). For this purpose they opened Hamburger University in 1961 (McDonald's Corporation). Hamburger University is a place where managers can improve their

leadership skills and learn corporate values. It is also a place where new equipment is tested and training procedures are implemented in order to make the service inside McDonald's even more efficient (Kroc and Anderson 1987, 139).

McDonald's is able to adapt in most countries; thanks to predictability of their products (Ritzer 1996, 27). This factor attracts customers who do not like changes. McDonald's rarely changes its menu, but in the beginning of the business Ray Kroc supported individual operators to come up with innovations and ideas which could support the whole system (Ritzer 1996, 47). The Big Mac and the Egg McMuffin were just some of the products inspired by ideas of managers that enriched the McDonald's menu (Kroc and Anderson 1987, 172). This can also be considered a part of its marketing strategy. When somebody comes up with a new idea that is good enough to be realized, McDonald's usually adds new commercials and advertisements (Ritzer 1996, 22). The purpose of these new advertisements is to improve an image of the corporation and to attract more customers.

Adaptability is important for every company that wants to be successful. Without a learning program, testing new equipment, innovations, and ideas, companies would be out-of-date and constantly losing its position in the market and its numbers of loyal customers. McDonald's is aware of this situation and precedes it with the help of its managers who are able to come up with new ideas. Specialists trained in the field of advertising are able to make a successful advertising campaign through using the institutions such as Hamburger University, or the research and development laboratory in Illinois.

6.2.5 Other Proprietary Brand Assets - Locations of McDonald's

Location is important when the business depends on customers. It is one of the many reasons why McDonald's is so successful. Location plays a big role in marketing strategy (Kroc and Anderson 1987, 87), because McDonald's is the best located fast-food in the United States (Hokey and Hyesung, Emerald Insight, 283). In the beginning of its business, McDonald's was located in small towns, but today it can be found in big cities all over the world. McDonald's can be seen almost everywhere – on roads, airports, or college campuses are just a few examples. College campuses and areas around the schools are McDonald's favorite locations because children and students are easily influenced (Ritzer 1996, 23). McDonald's is trying to add restaurants in Japan, China, Italy and Mexico. These places are potentials for fast growth because of weak competitors. This position in the market straightens the recognition and popularity of McDonald's (Vignali Claudio,

Emerald Insight, 101).

6.2.6 Other Proprietary Brand Assets - Transferability of Marketing and Pricing Strategies

McDonald's is ranked among the global brands. This means that it is a global corporation that through help of its brands is able to affect and adapt into local markets (Pravdová 2006, 22). This allows McDonald's to share ideas or practices regardless of national borders. This is another McDonald's advantage (Vignali Claudio, Emerald Insight, 101). This process requires great skills in providing international marketing. Successful marketing strategies that target specific local markets must consider the cultural, national, and regional differences. McDonald's uses the fewest number of marketing strategies by grouping countries according to similarities in social, cultural, technological, political, and economic field. Once these similarities are established managers can apply the correct marketing strategies (Vignali Claudio, Emerald Insight, 98). This saves time and money for a creating new marketing strategy to every local market.

Pricing strategy is another factor that needs to be considered when adapting to a specific environment because different countries have different terms of payment. Managers must consider the price of products according to competitor's prices, costs and offers. Deducing the right pricing for McDonald's in different countries is another way it stays ahead of its competitors and helps to gain a lot of customers (Vignali Claudio, Emerald Insight, 101-102).

McDonald's knows how to utilize the field of international marketing, different ideas, opinions, backgrounds and life experiences of McDonald's crew. Because of this, McDonald's received an award by Diversity MBA magazine called, "50 Out Front for Diversity Leadership: Best Places for Diverse Managers To Work" (McDonald's Corporation).

6.2.7 Other Proprietary Brand Assets - Transferability of Products and Packaging

When customers come to McDonald's they know what to expect because McDonald's food tastes the same in every country. That is exactly the thing McDonald's wanted to be known for and this factor keeps it ahead of its competitors, because people don't like trying new things (Ritzer 1996, 28). Due to differences among the countries, McDonald's tries to adapt its menu to that society in order to attract new customers and to meet their needs. Most of these are products that customers of specific countries are accustomed to. For

example, Italian McDonald's serves spaghetti and German beer (Vignali Claudio, Emerald Insight, 99).

When McDonald's started spreading to different countries, packaging became important. The biggest change occurred in 2007—when managers realized that just like the product was the same throughout different countries the packaging system should be unified. McDonald's introduced the first-ever global packaging; the new packaging helped McDonald's distinguish itself from competitors. A year later, the packaging was redesigned in order to become the most comprehensive global packaging design in the history of the Brand (McDonald's Corporation).

McDonald's based its success on uniformity. They reached it by a simple idea, keeping the same taste of food and the same brand of packaging no matter which country you are in. Through this success McDonald's met customer expectations, and customers also began to associate and recall the corporation with the packaging. These associations helped to build a stronger brand and kept McDonald's ahead of competitors.

6.3 Brand Identity System

6.3.1 McDonald's-as-Organization – Promotion through Programs for Public

Ronald McDonald Houses have become a huge opportunity to make a public relation. Since huge masses of people use the facility McDonald's is able to create positive associations to the corporation. Their aim is to show the public that they care about their customers and their health. This strategy keeps McDonald's ahead of its competitors. Customers feel thankful for the Ronald McDonald Houses and then subsequently sympathize with the corporation. This is one way how McDonalds gets customers. No other competitor chain in the field of fast-food has ever created something that has helped society on such a large scale.

McDonald's knows that better developed recognition programs will attract the most important source – customers (Facella and Genn 2008, 204-205). That is why this corporation sponsors a wide range of sports, both on a national and global scale. Its global scale sponsors events like the Olympic Games and the World Cup which are the biggest sporting events. McDonald's paid \$32 billion just for the right to use the official logo of World Cup. This gives McDonald's a great opportunity to have an international campaign to attract 2 billion people who watch the World Cup. The same is true with the Olympic

Games. Using a global advertising campaign as a part of promotion of this event is a very valuable advertising tool that McDonald's uses to associate the brand with the event.

On an international scale, McDonald's sponsors the NBA and NASCAR racing, which are mainly popular in the USA. There is a tendency to invest into global events, because McDonald's wants to be recognized as a global brand (Vignali Claudio, Emerald Insight, 106-107).

McDonalds wants to present itself as a corporation that is able to help the people who need it. In order to prove this McDonald's donated \$1 billion to help the victims of Haiti's devastating earthquake (McDonald's Corporation).

This might seem a rather small donation when comparing it to \$ 32 billion McDonald's spends on the right to use the official logo of the World Cup. When customers deduce where McDonald's chooses to invest it's money it could pose a potential threat to the company which may be taken as an opportunity for McDonald's competitors. During the last couple of years critics created an anti-McDonald's website to disseminate facts that McDonald's is not proud of. When something unpleasant comes to the surface and managers know it will threaten the company's reputation it will spend a huge amount of money on its promotion and charity events, then come up with something new which will attract the customers (Kincheloe 2002, 67).

To sum it up, McDonald's is able to spend huge amounts of money on its advertising. They manage through a wide range programs for the public, to show that they care about their customers. However, numbers of critic are increasing and McDonald's has to face a lot of obstacles to keep its positive reputation. This causes McDonald's a lot of effort and investments into new things in order to stay ahead of competitors whose position is not as strongly criticized. Consequently, it is a great opportunity for competitors to take advantage of the occasional bad reputation and attract customers to their products. This situation on the market can be used for competitors' own benefit, for strengthening the market position, and building a stronger brand.

6.3.2 McDonald's-as-Product

McDonald's offers the same products in all of its locations. The product uniformity attracts customers who want to avoid the unknown (Schlosser 1998, 4), but it is not the only factor that attracts customers. Affordable prices have played a crucial role since McDonald's was founded (Hokey and Hyesung, Emerald Insight, 283). Recently,

McDonald's chooses its product names in order to convince the customer that they will get a lot of food for their money, i.e. - the Big Mac or Big Tasty (Ritzer 1996, 73-74).

McDonald's has had a problem with making healthy food (Gilbert 2009, 32). The issue of obesity in both children and adults has illustrated how serious of a problem unhealthy food options are. The issue of unhealthy food provides an opportunity for other restaurant chains such as Subway, which bases its menu on healthy food and good service to increase their market share (Hokey and Hyesung, Emerald Insight, 283). McDonald's is trying to appeal to health conscious customers by adding salads, fruits, and other lower calories and lower fat options in order to attract customers focused on a healthy lifestyle (McDonald's Corporation).

McDonald's has built its reputation on large portions and affordable prices. However, customers who prefer a healthy lifestyle have a tendency to go elsewhere. This pattern has increased the market share for McDonald's competitors worldwide.

6.3.3 McDonald's-as-Person

McDonald's is trying to build a strong brand through relationships with its customers and with the local communities. When building the relationship, they use advertisements that depict common scenes and are familiar to most of their customers. Advertisements are used to portray values such as love between family members and evoke emotions in their customers (Kincheloe 2002, 49). There are numerous companies who utilize the same values in their advertisements. Due to the overuse of this advertising scheme the emotional impact is lost on most customers (Kincheloe 2002, 82). McDonald's is trying to demonstrate through advertising that they care about their customers. They do it through things that customer like – for example they link McDonald's french fries to the excitement that people feel when they go to NBA match (Schlosser 1998, 19).

McDonald's is able to spend a huge amount of money on advertising. Most of these advertisements are targeted to attract children (Schlosser 1998, 3). This is achieved through broadcasting in the morning hours when children watch cartoons. The fun-loving clown named Ronald McDonald is also a part of their promotional scheme. In addition, McDonald's is in alliance with the Walt Disney Company and they are extremely successful when it comes to attracting young customers (Schlosser 1998, 19). McDonald's utilizes toys and action figures from films made by Disney in order to sell their products. The Happy Meal (it consists of various kinds of food and a toy) is the epitome of this concept. This product is very popular among children because when children see the

commercial on TV, they want to go to McDonald's and have all the toys in the series. McDonald's knows that if their commercial is good enough to attract a child the child will motivate their parents or relatives to go to McDonald's. Subsequently, McDonald's gains one or more customers who will buy their products, which increases profit and market share for the McDonald's Corporation.

7 SUMMARIZED MILESTONES THAT INFLUENCED THE CREATION OF MCDONALD'S BRAND

Affordable prices – an important factor which led to people's quick associations with the brand. One of the biggest gains in market share came in 1948 when McDonald's lowered the price of their hamburgers from 30 to 15 cents. This strategy led to the mass exodus of competitors and a significant increase in the company's profit in a short amount of time. McDonald's uses a strategy where affordable prices are linked in an attractive name. The goal of this strategy is to ensure customers feel they are receiving a good value.

Easily recognizable symbol – Golden Arches are the symbol of McDonald's. They were incorporated into the logo in 1962. This symbol grabs the attention of customers and helps them associate the symbol with the brand.

Employing people in key positions – in 1954, Ray Kroc became the exclusive franchising agent for McDonald's. He played a significant role in McDonald's constant growth. He employed people who shared his vision of building a strong company. In 1956, Ray Kroc hired Fred Turner, the head of McDonald's operations, who created the moral values inside the company.

Moral values and standards – implemented in 1957 by Fred Turner. These standards such as quality, service, cleanliness, and value are what customers have come to expect. These standards and moral values are kept to this day. By keeping them alive, McDonald's has gained strong business partnerships that built on trust. Moral values and standards are important for McDonald's growth because it represents a vision that every company strives for.

Efficiency of service – follows the Turner's standards established in 1957. Efficiency is important because it saves the customer's time which is one reason why people chose fast-foods. McDonald's is able to satisfy customer's orders within 90 seconds, as a result, it is considered the fastest fast-food.

Community Involvement - McDonald's keeps ahead of competitors because each member of McDonald's is involved in their community as much as possible. For this reason, the Hamburger University was opened in 1961. Its purpose is to teach each manager how McDonald's works, provide them with required skills, and give advice on how to run their franchise successfully. This University also served for breaking the diversity barrier between managers from different countries where McDonald's operates. Thanks to international cooperation between managers, McDonald's received an award by

Diversity MBA magazine called "50 Out Front for Diversity Leadership: Best Places for Diverse Managers to Work" in 2011.

Adaptability - since 1962, McDonald's has been open to new ideas of managers and specialists in the field in order to keep its loyal customers and leading position.

Public relation – The first of broadcasted TV spot for McDonald's was held in 1966. Broadcasting through media increased public awareness and increased profit for McDonald's.

Family image – an integral part of McDonald's marketing strategy that is based on entertainment and fun. McDonald's tries to build relationships with adults through familiar values such as love, friendship, and family. McDonald's attracts young customers by using a figure of a clown named Ronald McDonald, who was first introduced during the Macy's Thanksgiving Day parade in 1966. This clown is easily identified by ninety-six percent of American schoolchildren.

Location – Since 1967, McDonald's seeks to add its franchise in countries that have a potential for fast growth and few competitors. This convenience plays one of the major roles in McDonald's' marketing strategy. McDonald's is one of the best, most conveniently located fast-food chains around the world. Location strengthens the franchise, the recognition, and the popularity of McDonald's.

Advertising and marketing campaigns – this function has been highly important to McDonald's since the beginning. In 1967, the Operators National Advertising Fund was found and allowed McDonald's to launch into national television. McDonald's spends more money on its advertising than any other brand does. Methods of advertising are organized and varied according to targeted social groups, different cultures, nationalities, and regional differences. The way companies advertise should attract customers as effectively as possible. If an advertisement is not profitable or effective, McDonald's changes its initiative and comes up with something new in order to attract customers. All of these factors help this corporation to become a global leader in today's society.

Creating positive brand associations – positive brand associations for McDonald's started in 1969 when Ray Kroc set up the Kroc Foundation, followed by the building Ronald McDonald House in 1974. The aim of these programs is to show the public that McDonald's cares about their customers. No other competitor chain in the field of fast-food has ever created something that has helped society on such a large scale. McDonald's has a key competitive advantage because of these incentive programs.

Alliance with other strong brands – McDonald's has teamed up with top brands like Coca-Cola and Disney to help create an even deeper image and extension of its power to the public. This alliance has been working since 1985 and has been extremely successful in meeting customers' needs.

Uniformity – all around the world, McDonald's food tastes the same. Uniformity is something that McDonald's is widely known for. In addition, McDonald's is constantly trying to adapt its menu in different countries to meet customers' needs. Most products are catered to specific countries. Uniformity can also be found in the packaging of McDonald's products. In 2008, packaging was redesigned to be the same for all McDonald's brands. This change helped McDonald's to become the most comprehensive global packaging design in history.

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APPENDICES

- P I Brand Equity
- P II Brand Identity Planning Model
- P III List of Abbreviations

APPENDIX P I: BRAND EQUITY

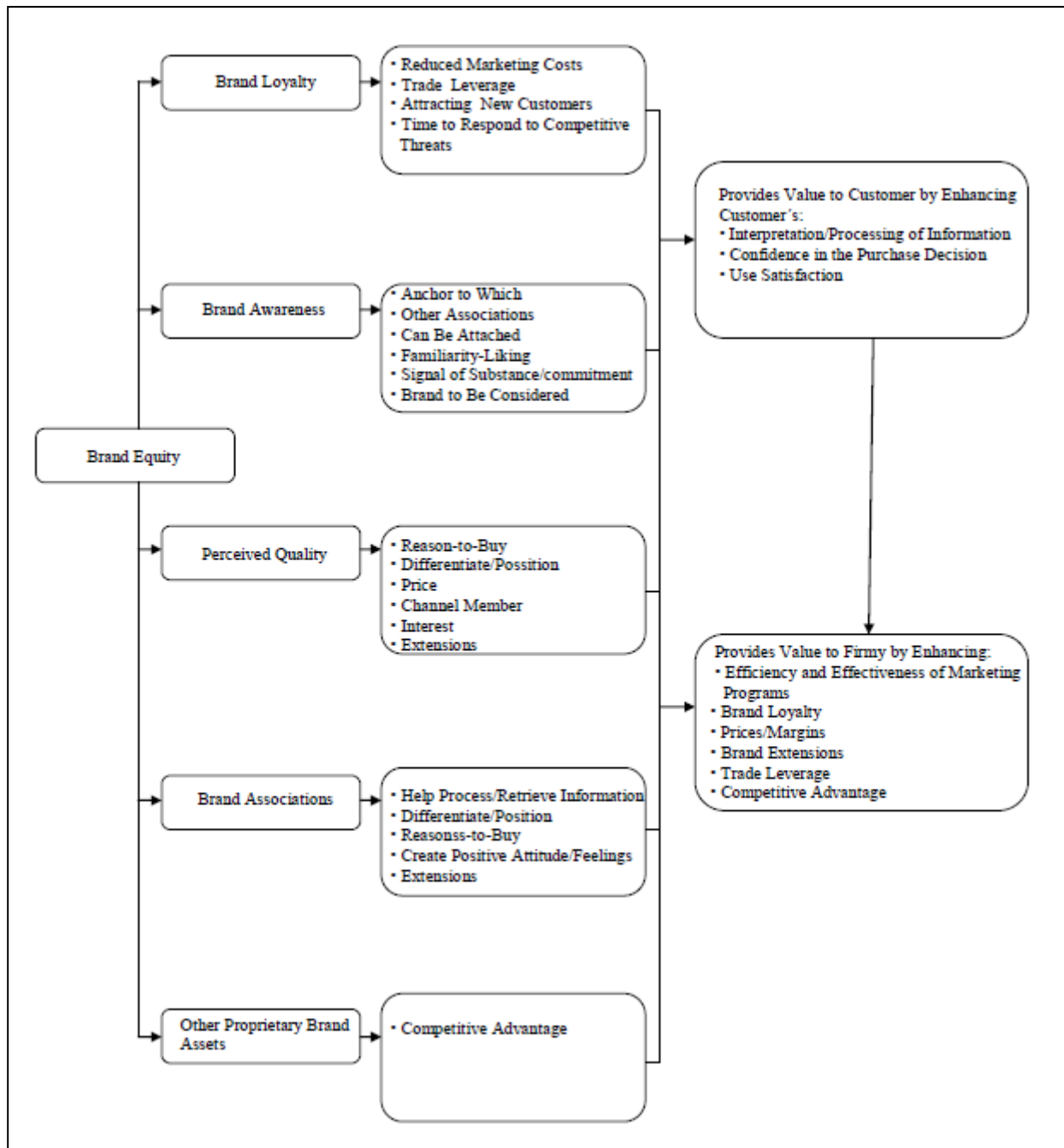


Figure 1: Brand Equity (Aaker 1991, 270)

APPENDIX P II: BRAND IDENTITY PLANNING MODEL

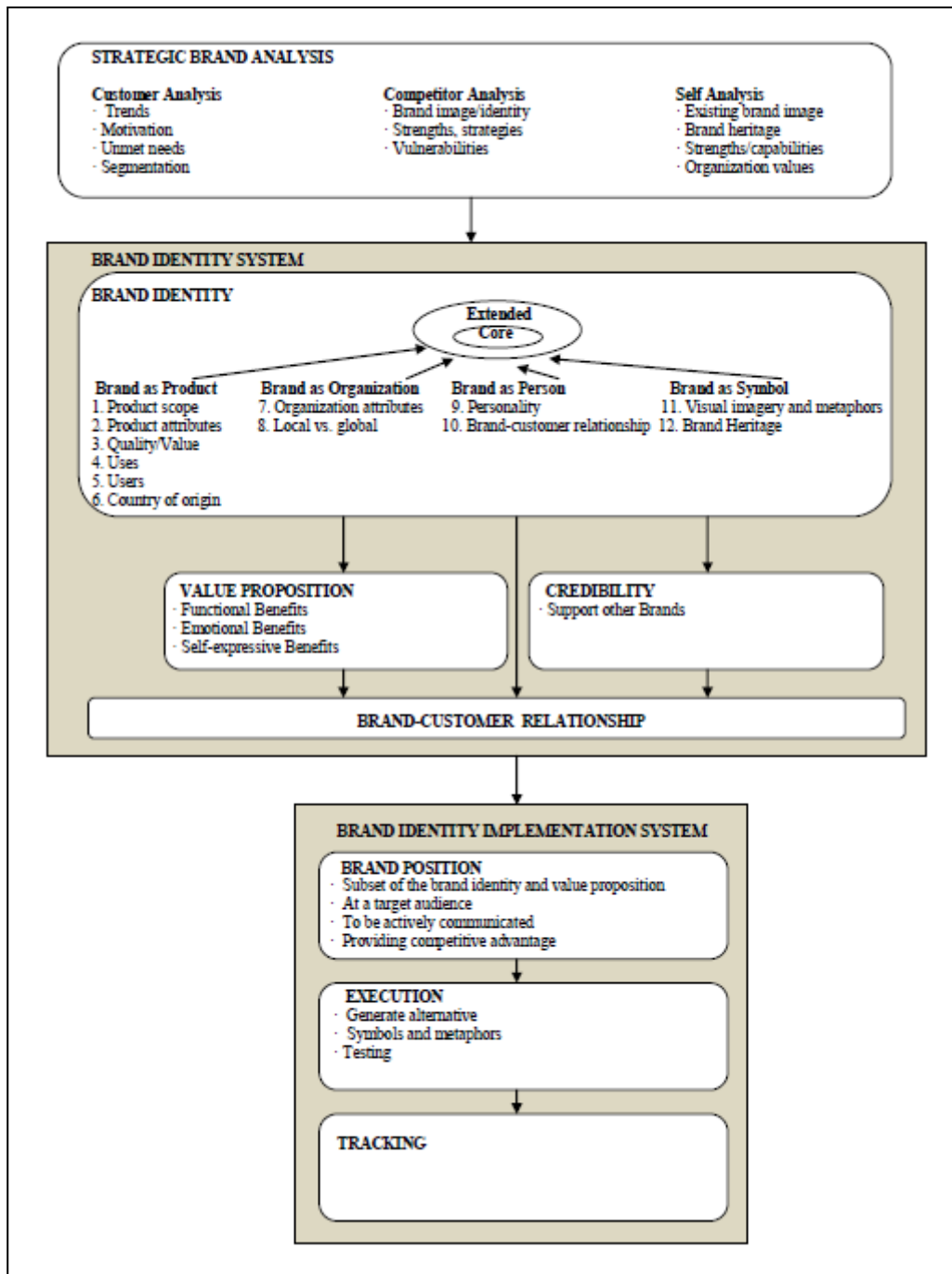


Figure 2: Brand Identity Planning Model (Aaker 2002, 79)

APPENDIX P III: LIST OF ABBREVIATIONS

KFC	Kentucky Fried Chicken
LG	Life's Good
NBA	National Basketball Association
NASCAR	National Association for Stock Car Auto Racing
OPNAD	Operators National Advertising Fund