

MCDONALD'S PROMOTIONAL STRATEGIES AND IT'S IMPACT ON BRAND EQUITY

Dr. Harsha Vardhan*

*Faculty,

University of Mysore, INDIA

Email id: harshavardhan1809@yahoo.com

DOI: **10.5958/2249-877X.2022.00012.1**

ABSTRACT

This article is based on the deep insights of marketing and promotional strategies adopted by McDonald that have enhanced its brand equity in Indian market. The article stretches its understanding on how McDonald's promotional methods impact the target audience to buy its products. Hence, promotional activities that leads to develop a brand image in the minds of target audience. It focuses on the key elements of promotional mix: namely Advertising, Sales Promotion, Personal Selling and Word of Mouth which McDonald's uses to communicate with present and potential customers. Though McDonald's integrated marketing communication (IMC) involves several channels to convey the message, this study has indicated the most effective promotional component is Word of Mouth, through which the brand equity among customers is created at minimal cost. The main objective of this study is to examine the relationship between the promotional strategies and brand equity and find out to what extent the promotional strategy impacts on brand equity of McDonald's in Mysore district. Therefore, it explicates how McDonald's formulates promotional strategies with ongoing trends as it is essential to use the appropriate techniques that can help to stay connected with all kinds of customers in competitive markets.

KEYWORDS: *McDonald's, Promotional Strategies, Brand Equity.*

INTRODUCTION

The world is flooded with a variety of businesses. Businesses often have a notion that the growth and profit depends completely on the products and services that a company offers to its customers. But this is not the only factor that determines a company's success. It is the way that a company presents its product or services to the target audience by distinguishing itself from the competitors which can be done through creating brand equity. So when a company does an effective branding, a memorable impression will be developed among the customers that make them to know what to expect from the company. Simultaneously a suitable *promotional* technique can persuade customers to engage more with the *brand* so as to increase its sales and market share.

Promotion being an important element of marketing mix defines the tactics that companies use to communicate with customers through various channels. Among those, advertisement is one of the major promotional tactics which McDonald's uses as well to communicate with their customers by means of television, radio, print media and online media. Followed by sales promotions where McDonald's uses to draw more customers to its retail outlets through contests,

programmes and free coupons which help to attract more customers. McDonald's also uses its sales force to sell their product after meeting the customers face-to-face where they aim to inform and encourage the customer to try/buy various products available at outlets. On the other hand, by localising their menu list such as McAloo Tikki, Mc Veggie... McDonald's have developed an extraordinarily successful word of mouth strategy not only in the city but throughout India. Ultimately due to the immense competition in Indian fast food market, McDonald's is making the best possible way to combine and use the elements of promotional mix to reach out large volume of customers and to increase its brand equity in tier III cities in India.

Objectives:

1. To identify the impact of promotional strategy on brand.
2. To evaluate the relationship between the promotional strategies and brand equity.

Hypothesis:

H₀ - There is no mutual impact of promotional mix variables that enhances brand equity of McDonald's.

H₁ - There is mutual impact of promotional mix variables that enhances brand equity of McDonald's. (**Accepted as the Significance value is 0.00**).

Statement of Intended Contribution:

The proposed research paper is significant because understanding how specific promotional methods adopted by McDonald's will lead to brand building predominantly in Mysore city. It focuses on investigating the impact of promotion on customers that leads to brand equity and hence the analysis and interpretation is done on McDonald's promotional strategies by using suitable statistical tools. The study is conducted only in Mysore with a pre decided sample of respondents. As a result, the analysis is done on the basis of information provided by the sample respondents which may not be entirely faultless and generalizations drawn on the basis of the study may not be extended to the whole population of McDonald's.

Research Methodology:

An exploratory, analytical and descriptive study is carried out with a view to identify the promotional tools and techniques adopted by McDonald's in Mysore. The research methodology for the study is summarized as follows:

➤ **Research Design:**

Descriptive method is used for the purpose of conducting research. Data is gathered from customers in various McDonald's outlets located in the city of Mysore.

➤ **Source of the Data:**

The proposed study involves both primary and secondary data. Primary data on promotional strategies and branding is collected through the structured questionnaire. The primary data is collected from customers. The secondary data is extracted from among different published sources such as manuals and reports, magazines, voice and data magazine, research articles, books and selected websites.

Sampling Design:

300 sample respondents are selected from the population for the purpose of the study. The composition of the respondents includes fast food customers from select McDonald's drawn in Mysore.

Review of Literature:

Berkowitz et al (1997) defines promotion as a means of communication between the trading parties who are seller and buyer. A company can use one or more of the promotional alternatives that is personal selling, advertising, sales promotion and public relation to communicate with the customers. Further, Fische (1996) noted and argued that three of the promotional mix elements, which include advertising, sales promotion and public relation, are often used in mass selling because they are used with groups of potential buyers. Promotional mix is the important tool between the service providers and the customers in building up a good relationship among them. It is the stimuli factor to the service consumers (S.Sivesan 2013).

Keller (1993) defines that brand equity is the differential effect of brand recognition and identification on consumer response to the marketing of that brand. Farrquhar (1989) suggests brand equity is a power that a brand has achieves it in a market because of its name, sign and logo. Neal (2000) explained brand equity is the major weapon. It means building sustainable competitive advantage and creating a differential advantage. Fast food service chain restaurants are willing to build strong brand names because they are providing similar services and foods. Brand equity contributes to possibility of brand extension to other product categories. Successful brand extensions contribute to higher brand equity of the original brand and unsuccessful brand extensions reduce the brand equity of the parent brand (Aaker and Keller, 1990).

CONCLUSION:

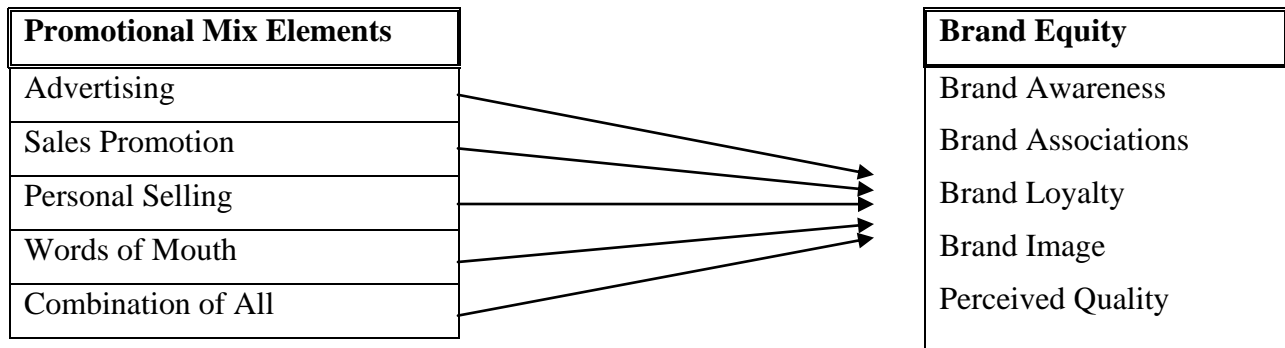
The study was carried to find out the impact of McDonald's promotional mix on brand equity. The two major objectives of this study were to examine the relationship between the promotional strategies and brand equity and to evaluate the impact of promotional strategy on brand McDonald's. The result of Commuality Value shows that all the elements of promotional mix does a great impact on brand equity. McDonald's brand equity comprises of all the fundamentals of promotion that builds brand value and hence boosts the ability among customers to recall or recognize their products from competitors in the market. On the other hand, the marketing team must utilise the brand image of McDonald's and execute the right promotional strategies so that the products of McDonald's can be positioned stronger in the minds of customers.

This study further shows that five elements of promotional mix in Component Matrix table i.e., advertising, sales promotion, personal selling, word of mouth and combination of all which is extracted through Principal Component Analysis proves that all the elements taken for the study plays a significant role in building the brand equity of McDonald's. Therefore, it is understandable from the study that there is a positive relationship between elements of promotional mix and brand equity. In practical terms, this means that improving and focusing on promotional strategies will increase the brand equity. Although promotional tactics of McDonald's will push its sales, it is all about the combination of required promotional methods that McDonald's uses to build brand equity seem to be counterintuitive in this competitive world. However, the results and recommendation of this study can be used for improving their promotional strategies and subsequently improving the brand equity of McDonald's in Mysore district.

Limitations and Scope for Future Research:

The study was limited to Mysore district with just one fast food company i.e., McDonald’s which was taken into consideration. It mainly focuses on promotional strategies with respect to brand equity and covers only the essential elements of promotional mix that impacts on McDonalds’ brand equity. Future studies could focus on other fast food company’s promotional strategies and brand equity in different geographical areas. Researchers can even focus on studying the other aspects of marketing strategies that is used by McDonald’s and other major fast food players in the world which would provide them an opportunity to understand and study the innovative marketing strategies that global fast food chains adopt to survive and compete in the global market.

The figure below shows the conceptual model of this study. The study has selected five elements that effect brand equity of McDonald’s: advertising, sales promotion, personal selling, word of mouth and combination of all to identify the impact towards brand equity.



Data Analysis and Interpretation:

The study brings out the opinions of customers surveyed from different McDonald’s outlets located at Mysore district and a framework of statistical analysis to evaluate the relationship between the promotional strategies adopted by McDonald’s that impacts on its brand equity.

Kaiser-Meyer-Olkin & Bartlett's Test on Elements of Promotional Mix		
KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.477
Bartlett's Test of Sphericity	Approx. Chi-Square	31.656
	df	10
	Sig.	0.000

KMO is a numeral value that measures the proportion of variance in the variables that might be explained by primary factors. So its proportion value must be between 0 and 1, a value of 0.6 is a suggested minimum and closer to 1.0 is better. The Sampling Adequacy value in the study is **0.477** which is close of 0.5 and therefore can be barely accepted. This basically shows a lot about **47%** of variability in the promotional mix that can be explained by the underlying variables.

Bartlett's Test of Sphericity explicates about the null and alternative hypothesis. The null is basically where there will be no co-relation or relationship among the variables. In the above table, the probability significance value is less than 0.05 i.e., **0.000** which means that there is mutual impact of promotional mix variables that enhances brand equity of McDonald’s in

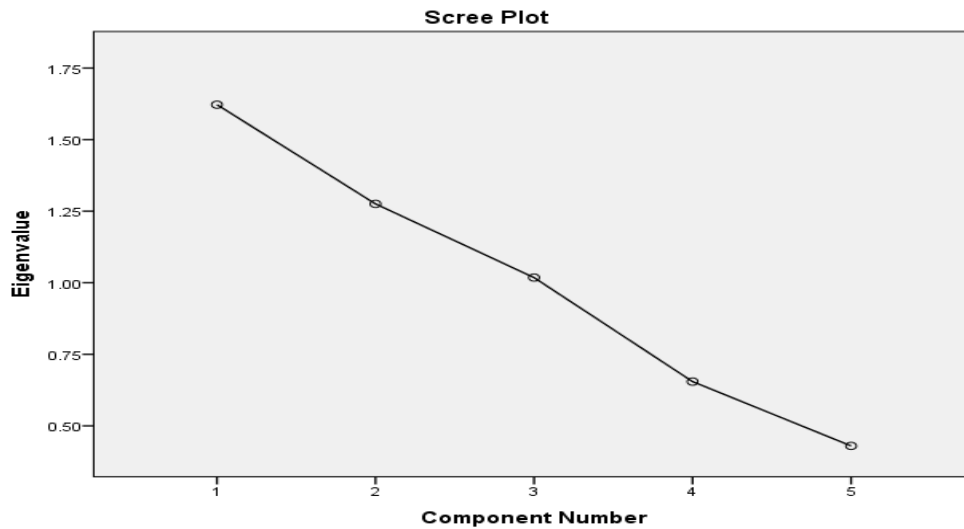
Mysore and thus, the Alternative Hypothesis is **Accepted**. Therefore the above test verifies the minimum standard for conducting factor analysis is being fulfilled.

Communalities		
Variables	Initial	Extraction
Advertising	1.000	0.694
Sales Promotion	1.000	0.950
Personal Selling	1.000	0.775
Words of mouth	1.000	0.788
Combination of all	1.000	0.708

The above table of communalities which shows the degree of variance in the variables has been accounted by the extracted factors. The communality value of all variables is more than 0.5 and hence all the five elements are considered for further analysis.

Total Variance Explained^a						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	Variance %	Cumulative %	Total	Variance %	Cumulative %
1	1.622	32.443	32.443	1.622	32.443	32.443
2	1.275	25.508	57.951	1.275	25.508	57.951
3	1.018	20.361	78.312	1.018	20.361	78.312
4	.655	13.092	91.404			
5	.430	8.596	100.000			
a. Extraction Method: Principal Component Analysis.						

In the above table, five components are extracted through principal component analysis as these were the variables considered for the study. The variables are standardized in the principal component analysis which is conducted on the correlation matrix, which means that each variable has a variance of 1 and the total variance is equal to the number of variables used in the analysis i.e., five components. Extraction Sums of Squared Loadings reproduces the number of values determined by the number of principal components whose Eigen value is 1 or greater. The first three components of cumulative percentage altogether account for 78.31% of the total variance and therefore, the study clearly proves that the first 3 components which have an Eigen value of more than 1 are assumed to illustrate the impact on brand equity of McDonald's.



The above Scree Plot graph of Eigenvalues against all the factors determines 3 factors to retain. The 4th and 5th factors have an Eigenvalue of less than 1, so the last two factors are confined and only the first three factors have been retained for the study.

Component Matrix^a			
Promotional Mix Variables	Component		
	1	2	3
Advertising	.426	-.655	-.290
Sales Promotion	.280	-.078	.930
Personal Selling	.794	.291	-.246
Words of mouth	.801	.381	.043
Combination of all	-.300	.782	-.080
Extraction Method: Principal Component Analysis.			
a. 3 components extracted.			

The above table shows the loadings of 5 variables that are extracted on 3 different component groups. In the first component group, word of mouth is the one with the highest factor; with a loading of .801 where as sales promotion has the lowest loading of .280. In the second component group it is the combination of all variables with a loading of .782 and finally sales promotion with a loading of .930 in the third component group.

REFERENCES:

Aaker D.A. (1991). Managing brand equity. New York: Maxweel Macmillan-Canada.

Aaker D.A. (1996). Measuring brand equity across products and markets. California Management Review, 38(3), 102-120.

Keller K.L. (2003). Strategic brand management: Building, measuring, and managing brand equity. New Jersey.

S.F.Fasana & A.G. Haseena (2017). Promotional Mix as the Strategic Tool for Improving Brand Equity (A Case in Franchise Fast Food Restaurants in Sri Lanka). International Journal of Engineering and Management Research.