




What has McDonald's done to successfully market the McCafe product line?



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Introduction

Everyone has seen the golden arches and tried what they have to offer; McDonald's domination over the fast-food industry cannot be denied. Even through the challenges of the falling global economy, McDonald's has increased sales by 5% in 2010 (McDonald's, page 3), and even raised store sales by 7.7% worldwide, in June of 2011 (McCafe Beverages Continue to Boost McDonald's Profits, *nacsonline.com*). McDonald's success could be the result of their franchising advantage or updated image, but ultimately, McDonald's strength comes in their ability to reach various customers. Perhaps the most successful of McDonald's production is the McCafe beverage line, offering premium lattes, coffees, frappuccinos, smoothies, shakes, and other drinks for a friendly fast-food price. Consumers can now receive a quality drink for minimal money in addition to ordering food, a service other beverage companies cannot offer. As I have been a victim of purchasing McDonald's McCafe products, I have come to appreciate the value of a tasty McCafe beverage compared to other places where I would receive a cup half-filled with ice and watered down soda for the same price. Because McDonald's was able to lure me in with their McCafe drinks, I have chosen to investigate why McDonald's is able to use their McCafe line to draw in customers, and why this beverage line is successful.


The Strengths of McCafe

The success of McCafe is highly dependent on their strategic implementation of the marketing mix. By correctly establishing a *product* with a desirable *price* in the correct *place* and adequate *promotion*, McDonald's has enabled their McCafe beverage line to maximize sales.

Product: McCafe, McDonald's premium beverage line, was created to "enhance McDonald's menu and customer experience" (Thau, McDonald's Next CEO: Don Thompson, the Man Behind McCafe, *dailyfinance.com*). Not only has "McDonald's boosted sales," it has "expanded its appeal with consumers by adding specialty beverages" (Thau, McDonald's Next CEO: Don Thompson, the Man Behind McCafe, *dailyfinance.com*). The simple addition of premium drinks to the fast-food menu has increased potential of the giant daily consumer base of over 64 million people (McDonald's, page 3) by luring their current customers into buying a McCafe drink in addition to their food choice, and also by attracting consumers who wish to simply enjoy a drink. The new consumers could easily choose a different location, but McDonald's offers the quick-and-easy drive-thru where consumers have the privilege of staying inside their cars. Moreover, McDonald's may have targeted the perfect niche market as the McCafe drinks are designed to attract customers "during non-peaking dining hours" (Hollister, McCafe Supplements McDonald's Gain Profit for 2Q 2011, *ficklefinance.com*). McCafe drinks are for everyone; those who want their dose of caffeine can choose a latte or a frappuccino while younger kids can enjoy hot chocolate or a shake, and even if that doesn't meet a consumer's preference, they can choose from multiple smoothies or slushes. McDonald's has created consumer relevant products by offering a range of beverages in their McCafe line that can appeal to all ages.

Price: McDonald's has chosen the correct equilibrium price for their McCafe drinks, pricing just below some of their main competitors, but also making sure to keep their prices in the "gourmet drink" range. McCafe drinks stand in the low two-to-three dollar range, \$0.30 to over a whole dollar cheaper than Starbucks's drinks (Jean, Starbucks vs. McDonald's McCafe – Calories, Caffeine and Cash, *hubpages.com*). Consumers are drawn to this product line because the pricing is not too low, so the products do not have a poor quality perception, yet the pricing is not excessively high in that it diminishes consumer appeal. Because of this strategic pricing, the McCafe line has not only exceeded the goal of adding \$125,000 to each store in annual sales (Thau, McDonald's Next CEO: Don Thompson, the Man Behind McCafe, *dailyfinance.com*), it has helped McDonald's increase net income by 15% in 2011 (Hollister, McCafe Supplements McDonald's Gain profit for 2Q 2011, *ficklefinance.com*). McDonald's has chosen a safe, yet profitable equilibrium price range for their McCafe drinks which has proven to be the correct pricing strategy.

Place: The placing of McCafe products does not give the slightest challenge to McDonald's because all of the specialty drinks are provided right at the counters and drive-thrus of every existing McDonald's restaurant. The McCafe drinks can increase the purchase amount of loyal consumers already, or attract new customers who are not interested in McDonald's entire product



mix. The issue of *place* can be further discussed in the next section (see *McCafe on the International Front*).

Promotion: McDonald's best decisions pertaining to McCafe are the methods of promotion for the product line. From newspaper ads to television commercials, McCafe's new products are seen everywhere. Even if one is not a regular McDonald's customer, they are well aware of the McCafe line as McDonald's has been sure to market their fine drinks abundantly in the public media. When a customer pulls up to the drive-thru window, they are greeted with an automated message informing them of the new products. Walking into a McDonald's store, signs and posters are everywhere encouraging customers to try the new drinks. Additionally, McDonald's has implemented a "Happy Hour" from 2PM to 5PM where customers can enjoy a dollar off any McCafe product of their choice. This promotion directly increases competition for other restaurants like Sonic, America's Drive-In, who also has a beverage Happy Hour from 2PM to 4PM. McCafe's Happy Hour prices attract new customers who return to McDonald's for a gourmet McCafe drink instead of a cheap fountain drink mix or watery slush at other locations. Although the product line does not have an immense range, it is rather advantageous as customers are not overwhelmed with a large menu and appreciate the quick choices they can make for a cheap cost.

McCafe on the International Front: Europe

Perhaps the absolute peak of McCafe's success can be attributed to the line's expansion in Europe. As McDonald's reports a 5.0% global sales increase, Europe alone can boast a 4.4% increase (McDonald's, page 13). Moreover, net income has increased by 13% in 2010 (McDonald's, page 16)! The tremendous growth McDonald's is experiencing is one of the direct results of introducing McCafe. In Europe, McCafe is an actual café "located inside existing restaurants but with a separate counter, comfy furnishings, and nary a Big Mac in sight" (Liu, McDonald's McCafe takes Aim at Starbucks in Europe, *businessweek.com*). One McCafe is even noted to "[feature] a gas fireplace inside and three terraces with views of the Alps" (Liu, McDonald's McCafe takes Aim at Starbucks in Europe, *businessweek.com*). McCafe also offers snacks and desserts as a typical coffee shop would (McDonald's, page 13). Because fast-food chains are not as popular in Europe, McDonald's has invested in building McCafe as an extension to existing McDonald's with an atmosphere different from the traditional fast-food chain experience. This way, if McCafe customers desire solely McCafe products, they have the ability to physically stay separated from the fast-food area despite their entry onto McDonald's property. Moreover, McCafe customers have their own check-out counter for their specific beverage and treat purchases, making it as if McCafe is completely separate from McDonald's.

Starbucks, McCafe's main competitor in Europe, is being directly threatened by the cheaper coffee shop. McCafe welcomes a wider range of customers at a less formal environment for a cheaper price. For example, a mother of young children who wishes to drink coffee inside a café cannot bring her children into Starbucks without being obnoxiously disruptive. McCafe, on the other hand, welcomes these types of customers as their environment is not as formal, bringing in business the company would not have without the beverage line (Liu, McDonald's McCafe takes Aim at Starbucks in Europe, *businessweek.com*).

In addition, McDonald's plans to expand the McCafe project in Europe to the point of becoming Europe's number one coffee seller (Liu, McDonald's McCafe takes Aim at Starbucks in Europe, *businessweek.com*). McDonald's has taken awareness to the cultural differences in where they are located, opening McCafes where sit-down beverage lounges are in demand. Europe has a less fast-paced culture when it comes to fast-food orders, and the people enjoy sitting down for morning or afternoon drinks, as opposed to utilizing the drive-thru (as popular in America). By opening McCafes, McDonald's has taken the initiative to cater directly to the cultural differences in Europe to appease their international customers, *and* they have strategically priced their drinks right under their biggest competitor, Starbucks, by about \$0.30 (Liu, McDonald's McCafe Takes Aim at Starbucks in Europe, *businessweek.com*). With continuation of implementing the correct marketing strategy, and a vision for the potential of their beverage line, the possibilities with McDonald's success with McCafe are limitless!



Conclusion

McDonald's has exceptionally executed a strategic marketing plan for the McCafe line from all aspects of the marketing mix. The products in the McCafe beverage line have proven to attract and appease customers of all ages who simply desire an enjoyable gourmet drink. The pricing for McCafe beverages meet equilibrium pricing for both the company and its consumers, simultaneously competing with other companies in the drink market. McCafe prices fall below the brand Starbucks' prices, but stay high enough to maintain the supreme-drink image. Promoting McCafe with Happy Hour and other forms of media has drawn in numerous customers to simply try the beverage line which often results in returning customers who are satisfied with quality, price, taste, and eager to buy again! Finally, the placing of McCafe in current McDonald's boosts sales and attracts different types of customers while McCafe's expansion in Europe consciously progresses to appease cultural demands. McDonald's has successfully marketed and built the McCafe product line by ensuring that all aspects of their strategic marketing mix are used to ultimately improve and enhance the company of McDonald's as a whole.



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