

McDonald's Brand Revitalization Strategy - Big Brands Will Never Die

TEACHING NOTES

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

Teaching Plan

The teaching plan of this brand management and reputation case represents a comprehensive guide on how to teach and deliver key insights of the presented case. It was constructed in order to support the instructor to prepare, organize and structure the case in a more effective and effective manner. Using these teaching notes, the case instructors will be able to lead a more efficient and engaging case discussion in class and to help students achieving the defined learning objectives. The teaching plan contains a brief summary of main issues of the case, defines and describes the learning objectives, presents main and assisting questions, provides teaching suggestions and illustrates a suggested time and board plan.

Case Synopsis

In September 2002, McDonald's reported its first global financial loss. Its stock price went down to \$17.60 from a high of \$45.31 in March 1999 (Light & Kiddon, 2009). Beside their financial performance, McDonald's was the bullseye of a target by the media which called the company outdated and prophesied the end of the golden arches era. Next to it, the market share was in decline and unsatisfied customers and employees were just the tip of the iceberg. The decline of McDonald's between 1999 and 2002 was due to its failure to not investing in customer experience to ensure profitable growth but instead, the company focused on monthly promotions (Light & Kiddon, 2009). After McDonald's stock declined 60% over three years, the board of directors was replaced by Jim Cantalupo as the new CEO, Charlie Bell as COO and Larry Light as the first global CMO. Since the crisis arose from lack of organizational focus, affected the brand core and had an impact on the entire business, the reputation of McDonald's was seriously damaged. Beyond doubt, the new management board agreed on a brand revitalization process. Therefore, the question emerges, how McDonald's should undergo the revitalization process of its brand image in order to manage a brand turnaround successfully.

Learning Objectives

During the discussion of potential management decisions within the McDonald's incident in 2002, the case audience should achieve several key learnings. Generally, these can be applied on other companies in different situations as broad key issues of corporate brands and their reputation are discussed. Therefore, the analysis of this case provides several learning opportunities in the fields of corporate brand identity, corporate brand culture, corporate brand reputation and corporate communication. In the following, an overview of the main learning objectives of the McDonald's case is provided and underlined with relevant corporate brand management literature.

Corporate Brand Image

A corporate brand image is built upon the perception stakeholders hold about a corporate brand (Roper & Fill, 2012). Stemming from the receiver side, a corporate brand image incorporates the reflection of the communicated message and how it is interpreted (Kapferer, 2012). It is the way how the organization's brand is perceived by its external stakeholders and represents the other side of the coin of corporate brand identity (Roper & Fill, 2012). However, every corporate brand tries to align its corporate identity with its image held by the community (Urde, 2013; Roper & Fill, 2012). In the McDonald's case, the brand image suffered from poor customer experiences (Light & Kiddon, 2009). According to Ray Kroc's vision (McDonald's, 2018), McDonald's builds its image by providing a happy place for its customers. Between 1999 and 2002, McDonald's went through a giant raid of negative media calling McDonald's an old-fashioned brand. This image crisis indicates the tremendous effects of negative brand image on a brand's survival.

Corporate Brand Reputation

According to Roper and Fill (2012), the reputation and the behavior of a company's CEO is strongly linked to the overall reputation of the firm. As a consequence, the initial management board change during the McDonald's incident was the first necessary step for improving McDonald's corporate brand reputation. Furthermore, Fombrun (1996, cited in Roper & Fill, 2012, p. 5) defines corporate reputation as "the net perception of a company's ability to meet the expectations of all its stakeholders", comprising the elements social image, financial image, product image and recruitment image. Drawing back to our case, McDonald's definitely increased its reputation in all four categories. First, creating a happy place and offering meals options for all customers, second increasing sales figures and third improving internal pride. In addition, the above described corporate brand image is strongly linked to Corporate Brand Identity and Reputation Matrix (Urde & Greyser, 2016), where the original framework has been expanded by including reputational elements. Applying this to the McDonald's case, through the applied brand turnaround strategy, trust as well as relevance has been built due to the enhancement of the customer experience

Corporate Culture

One key part of corporate reputation is corporate personality which prevails an organizational culture (Roper & Fill, 2012). The corporate culture determines how people behave within an organization and thus, is pivotal in shaping a corporate reputation (Roper & Fill, 2012). Scholars define a corporate culture with three levels containing of artefacts, visible objects such as dress code or language of an organization, espoused values, which illustrate values visible only to employees, and assumptions, which reflect value deeply rooted within a firm (Roper & Fill, 2012).

However, it is necessary for companies to have a clear corporate culture in order to consistently deliver values throughout the organization (Roper & Fill, 2012). In 2002, McDonald's represented a fragmented culture where it did not encourage a combination of working life and social life for its employees. Internal pride was not prevalent which in turn, decreases the brand reputation immensely (Light & Kiddon, 2009). According to Light and Kiddon (2009), before any brand can communicate its messages to its customers, its own people, staff, need to come first. During this time, McDonald's represented a case of a weak corporate culture where neither employees supported the firm's values nor management believing in it.

Corporate Communication

According to Cornelissen (2008, cited in Roper & Fill, 2012, p. 213) “[c]orporate communication is a management function that offers a framework for the effective coordination of all internal and external communication with the overall purpose of establishing and maintaining favorable reputations with stakeholder groups upon which the organization is dependent.” In our opinion, McDonald's has effectively coordinated the internal as well as the external communication of the brand revitalization. The former refers to the fact that the CMO Larry Light shifted financial resources of external marketing budget to internal marketing in order to facilitate all employees to see the new campaign first before it got launched. With this, the internal brand pride was revitalized. As far as the external communication is concerned, the new advertising ‘I’m lovin’ it’ campaign was launched worldwide at the same time and with a sonic branding song. The fact that the slogan is still used today, underlines the effective corporate communication in 2003.

Overview of Key Learnings

The aim of this case builds on developing a guideline for firms how they should undergo the revitalization process of its destroyed brand image in order to manage a brand turnaround successfully. Evaluating the damage of reputation elements and being able to create an action plan, so-called ‘plan to win’, in order to revitalize and restore the brand's damage are key learnings of this case. **Table A** illustrates an overview of all learning objectives of this case:

Table A Key Learning Objectives

Key Learning Objectives		
<i>Understanding</i>	...spillover effects of negative brand image on brand reputation.	Here: "McDonald's is NOT a happy place."
<i>Applying</i>	...managerial decisions to revitalize brand reputation.	Here: corporate communication, marketing strategies, brand management, etc.
<i>Evaluating</i>	...brand reputation in brand turnaround.	Here: Use of theory - Corporate Brand Identity and Reputation Matrix (Urde & Greyser, 2016)
<i>Creating</i>	...a "plan to win" for global brands in brand turnaround.	Here: "brand direction", "freedom within framework", "measurable milestones"
<i>Examining</i>	...different communication strategies.	Here: "What we say we are"

Discussion Questions

To start with, a clear distribution of roles between all case discussion participants is pivotal to achieve the above stated learning objectives. On the one hand, the presenter of the case has to lead the discussion with prepared questions and engage the audience to actively participate in the discussion to keep it going. On the other hand, the case audience has to be placed into 'action mode' as it is their task to solve the case. Doing so, the class is given the role of the CMO Larry Light in order to come up with several recommendations.

In the following, the problem statement, its main management decision questions and some assisting ones are proposed and highly recommended to be used by the case presenter:

Key Problem Statement:

How should McDonald's undergo the revitalization process of its brand image in order to manage a brand turnaround successfully?

Management Decision Questions:

1. Should McDonald's focus on the original vision by providing an enjoyable customer experience in-store?
 2. Should McDonald's focus on changing customers' expectations by offering green and healthy options for health-conscious customers?
 3. Should McDonald's focus on the quick-service experience to satisfy customers' needs of a fast-food restaurant by leveraging the drive-in experience?
-

Assisting Questions:

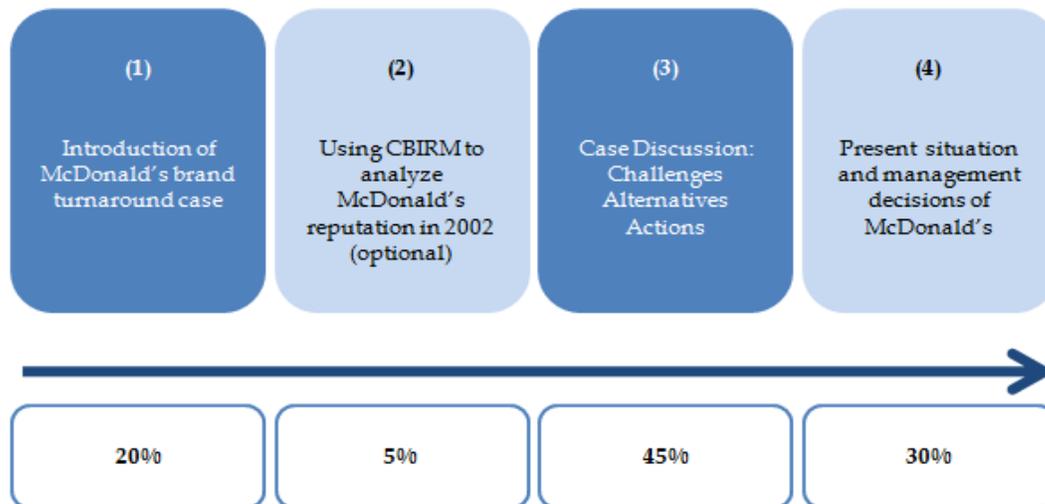
- How should McDonald's rebuild their reputational image?
- Which brand communication strategy should they follow (stick to core vs. going green vs. fast-food)?
- How should McDonald's communicate their change (internal vs. external)?
- Did McDonald's change their image over time (future outlook)?
- Will McDonald's ever change their image of being an unhealthy burger chain?
- Who is McDonald's target group, before and after the change?
- What is the key to success in a brand turnaround?
- Do you agree to Larry Light's statement "big brands will never die"?

Teaching Suggestions

Time Plan

The following time plan (**Table B**) will give the discussion leader a clue of how much time needs to be considered in each section. It is recommended to consult this time plan in advance to ensure that all important steps are covered and comprehensively connected in the given time. Depending on the timeframe available at the case day, the recommended teaching time for each section will be provided on a percentage basis. In the first part, the instructor should ensure to attract attention and curiosity. A short role play followed by the introduction of the McDonald's turnaround case in 2002 the estimated time frame is set up on 20% of the teaching time. As a point of departure, the Corporate Brand Identity and Reputation Matrix (CBIRM) can be consulted (see **Exhibit 1**) and applied on McDonald's situation in 2002. As the allotted time frames can vary, section two is estimated on 5% of the teaching time and can be waived due to time restrictions. Section three contains the main part of the case presentation with 45% of the given teaching time. The aforementioned challenges, alternatives and actions will be discussed in class with the help of a board plan. Finally, section number four gives answer to the question what actually happened and how the case had been solved by McDonald's management. To consult all important decisions made, 30% of the teaching time should be scheduled for this section.

Table B Time Plan



Board Plan

Using a board plan in class, if properly planned and structured, can prevent slowing down the flow of discussion or interrupting the interpersonal dynamics of the group (Harvard Business School (2018)). It is a helpful tool to summarize key points and present the information to other instructors in a useful way. Some rough pre-structure (e.g., headings, tables, themes) for gathering key points may be prepared while more detail information may be added during the discussion. Harvard business school suggests different approaches of using a board across case instructors (Harvard Business School, 2018). For the McDonald's case, we consider a simple board structure in 'Challenges', 'Alternatives' and 'Actions' as most useful and easily comprehensible. The first section contains all the audience's upcoming issues, challenges, problems. As McDonald's was facing challenges in different business sectors, the instructor can provide overview through highlighting or circling most important words. The section 'Alternatives' covers three different options to tackle the previous identified challenges. Again, due to the number of challenges, arrows help to connect the alternatives tackling the certain challenges. The third section 'Actions' provides a list of managerial decisions the class has agreed upon to tackle the jointly chosen alternative.

In order to bridge slow-downs in the discussion, a prepared structure of a board plan in advance is recommended. It helps the instructor to ensure major topics will be covered in the discussion. A possible board, providing detailed information the discussion leader can prepare in advance, will be presented in **Table C**.

Table C Board Plan

Challenges	Alternatives	Actions
<ul style="list-style-type: none"> - Decline of sales & stock price - Decline of market share ⇒ increasing competition - Transaction in-store: ⇒ 70% of sales gained through drive-in - Brand association with obesity - Decreasing customer satisfaction - Decreasing employee – brand identification - Decentralized organizational culture - Weak leadership performance - Loss of organizational focus 	<p>① Focus customers’ changing expectations: Growing aspect of health consciousness</p> <p>② Focus on quick-service experience: ‘FAST’ food at the center focus. ⇒ Further development of drive-in sector</p> <p>③ Focus on original vision: Make a ‘Happy Place’</p>	<ul style="list-style-type: none"> - Refocus on providing a ‘happy meal’ - Extended target group: young people - Change of organizational culture ⇒ Happy place for both: customers (internal) and employees (external) ⇒ Leverage internal pride: new staff uniforms - Improvisations of store atmosphere - Adapted meal offerings to satisfy different target groups: ⇒ Salad options (‘garden salad’) - Overall: Internal and external communication of planned actions - Shift from ‘You’ to I ⇒ ‘I’m lovin’ it’

Epilogue

According to Larry Light’s statement “Big Brands will never die they just get weak” there are several key learnings from this case. It provides a general understanding of how the course material applies to the world outside the classroom. It particularly shows that external changes of customer expectations can affect different fields of a brand. In the McDonald’s case in particular, the changing customer expectations constituted a crisis to its management and called for a complete turnaround. It therefore caused a rethinking of its corporate brand image, its corporate brand culture, corporate reputation as well as its corporate communication. Another benefit of this particular case method is that it provides the possibility of exploring problems from multiple perspectives. Interestingly, according to the several management decisions, the McDonald’s case covers a wide range of perspectives. Considering the viewpoint of a brands internal culture as a prerequisite for a successful turnaround of a large established brand becomes especially visible. Thus, an important learning objective of this case is to learn to deal with these different perspectives and how to get them aligned. Furthermore, this case

supports the practice critical thinking and analysis. Since there is no top-solution in real life situations, students can practice evaluating different alternatives on its contribution to solve certain challenges.

Finally, the McDonald's turnaround case can not only be used in teaching brand crisis management, it also leverages a good understanding of several other management topics, such as corporate brand image, corporate brand culture, corporate brand reputation and corporate communication.

Reflection

The course BUSN35 Corporate Brand Management and Reputation is a part of the master level course International Marketing and Brand Management. The assignment in this course was to write and present a management decision case which captures a management challenge many organizations have endured and will face in the future. A group of three students was asked to choose a real live managerial problem and transform it into an academic case.

After a reflection of several scenarios and brand management cases, three priorities had been presented to the professor Mats Urde in the first supervision. After a brief evaluation of the alternatives, the decision was made to choose the (back then) relevant and crucial McDonald's turnaround case. This case in particular contributes to the learning success of the class as it can be used not only today, but also in years to come. The case will be presented during the case days scheduled on the March, 15th 2018. Additionally, we had been offered the unique opportunity of presenting the case in form of a case competition between April, 3rd and 5th 2018 in front of a real-life audience of managers and students from different levels of studies.

To prepare for this challenging opportunity, several group meetings had been set up in order to clearly define the core situation of McDonald's back in 2002 which calls for a management decision. As McDonald's was facing several upheavals during this time we first were challenged to clearly work out the deep routed key issue which was suitable for a case discussion. We constantly had to remind ourselves thinking back in time and being in the manager's positions back in 2002 where the case recently occurred. Also, several decisions in different business sectors had been made by McDonald's in a short period of time, thus, we had to deep dive into the respective time to put the puzzle pieces together.

As suggested by professor Mats Urde, we contacted McDonald's first global CMO Larry Light, who had been an important persona during the firm's turnaround. It quickly became clear that Larry Light had been a leading figure of the turnaround between 2002 and 2005 and we were lucky that he was curious about the case brought to live again and excited to tell us the story McDonald's turnaround and his role during these times. In order to show competence in our doing and to provide Larry Light a feeling of confidence sharing this sensitive information, a thought-through preparation before the call had been done. In the first message we introduced ourselves and provided already a brief summary about the case we are

currently working at and why his perspective is of particular interest to us. After he agreed, we further suggested the preparation of a one-pager, containing questions and key points in order to give him a first impression about our thoughts and the expected outcome of the call. One week after, we scheduled a time for a FaceTime talk (**Picture 1**). A suitable time frame for both parties in different time zones had been found and a room at Lund University booked in advance. We additionally had to ensure a working technique as well his approval to record the talk. This helped us having a relaxed chat without focusing on taking notes. Deeply impressed from the story we reflected the call and decided about the further procedure (personal communication, 8February 2018).

After all, Larry Light played a major role in the preparation of our case. We received some very inspiring and helpful information about the McDonald's brand and its turnaround. Listening to his story made us feel directly involved in the respective time as McDonald's management called for a decision.

Picture 1 FaceTime talk with Larry Light (February, 8th 2018)



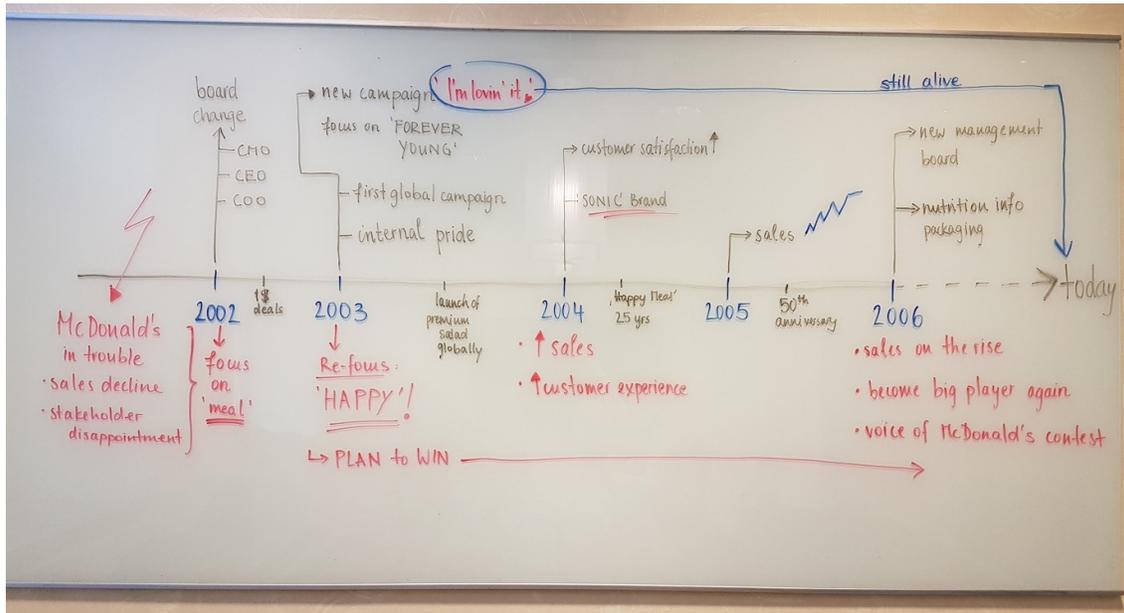
The structured preparation work before the call helped us to prevent organizational issues as well covering all topics. A summary of our structured approach is provided in **Table D**.

Table D Journey to Issue and Finding Preparation of Work

Time Plan	Topics	Details	Background work
Jan, 24 th	First contact through LinkedIn: Getting approval for collaboration	- Introduction and key information	
Jan, 24 th	More detailed schedule	- Suggestion of one-pager - One-week preparation time - FaceTime call	
Jan, 30 th	One pager hand-in and appointment	- Match of <ul style="list-style-type: none"> • date • both time zones • approval for recording 	- Lecture plan check - Group room booking
Feb, 6 th	Exchange of contact information	- Phone number and email exchange	- Technique check: test-calls and test-recordings
Feb, 8 th	FaceTime talk: 9AM ETZ, 15:00 CET: Open time frame, duration: 3h		
Feb, 8 th	Follow up and thank you email		
Feb, 8 th			- Post-call discussion review - Further procedure/ how to work with the material

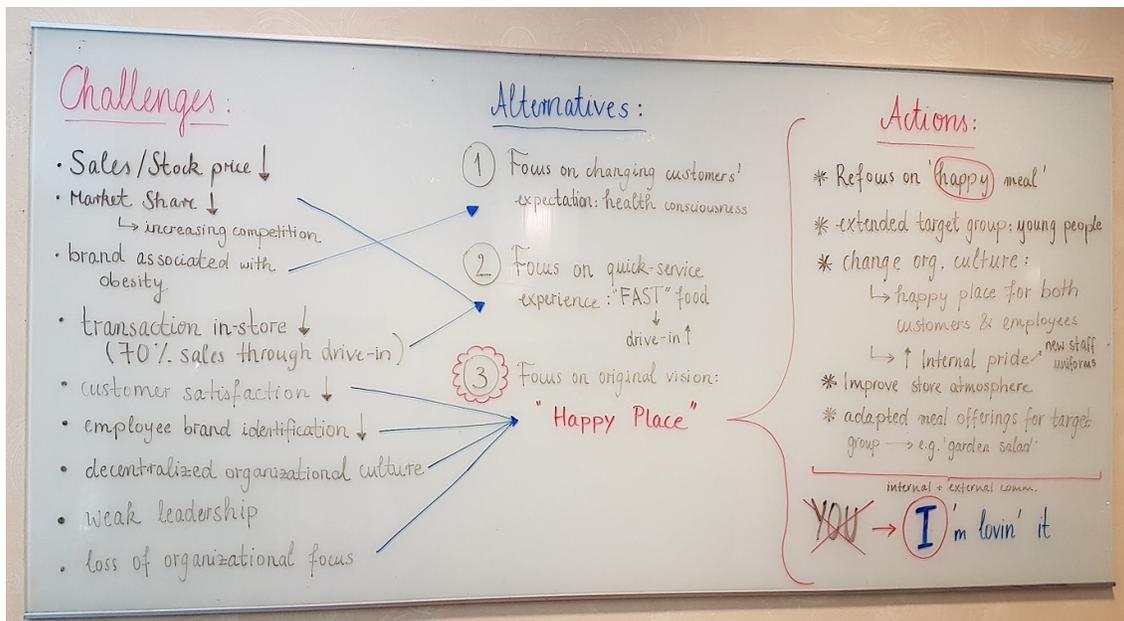
During the creation process of the case presentation, we wanted to ensure having a clear picture about the chronology sequence of the several actions Larry Light told us about. Thus, the development of a timeline helped us receiving the final ‘big picture’ (**Figure 1**).

Figure 1 McDonald's Timeline from 2002 until today



As suggested by Harvard Business School, creating the board plan in advance makes it possible to be both organized and spontaneous (Harvard Business School, 2018). This enabled us to become clear about where major elements of the discussion should be put on the board during class. This pre-created board plan is illustrated in **Figure 2**.

Figure 2 Pre-created Board Plan



In order to define and practice the different roles for each speaker and to evaluate how the audience reacts to the case, two test runs with fellow students were conducted. Our own reflection and the gained feedback had been reconsidered and applied.

References

Harvard Business School (2018). Teaching by the Case Method - Board Use, Available at: <https://www.hbs.edu/teaching/case-method/leading-in-the-classroom/Pages/board-use.aspx> [Accessed 27 February 2018]

Kapferer, J.N. (2012). *The New Strategic Brand Management*, 5th ed., London: Kogan

Light, L. & Kiddon, J. (2009). *Six Rules for Brand Revitalization: Learn How Companies Like McDonald's Can Re-Energize Their Brands*, New Jersey: Pearson Education, Inc.

McDonald's (2018). Our History, Available at: <https://www.mcdonalds.com/us/en-us/about-us/our-history.html> [Accessed 20 February 2018]

Roper, S. & Fill, C. (2012). *Corporate Reputation – Brand and Communication*, Harlow: Pearson Education

Urde, M., & Greyser, S. A. (2016). The Corporate Brand Identity and Reputation Matrix - The case of the Nobel Prize; *Journal Of Brand Management*, vol. 23, no. 1, pp. 89-117, Available through: LUSEM Library website <http://www.lusem.lu.se/library> [Accessed 21 January 2018]

Urde, M. (2013). The Corporate Brand Identity Matrix, *Journal of Brand Management*, vol. 20, pp. 742-61

Appendix

Exhibit 1 Corporate Brand Identity Reputation Matrix (Urde & Greyser, 2016)

