A Study of Marketing Mix on McDonald's: Evidence from Malaysia

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ABSTRACT

McDonald's is a leading fast-food company popular among Malaysians. Due to the increasing work pace and the desire for idleness, the consumer demand for a quick yet convenient meal grows steadily. This study focuses on the marketing mix of 4Ps implied by McDonald's, including product, price, promotion, and place in order to position itself in the competitive market of the fast-food industry. The objective of this study is to analyse the marketing performance of McDonald's while suggesting further improvements based on the significant factors. A total of 200 McDonald's customers completed the online survey through Google Forms. The results indicate that McDonald's is a highly reputed fast-food restaurant in Malaysia while showing that the customer satisfaction with the innovations and localization of the products and services it offers are the key factors of marketing performance. This study suggests certain implications based on the significant element to improve the marketing performance.

Keywords: Customer satisfaction, Malaysia, Marketing mix, McDonald's, Product

INTRODUCTION

Marketing mix is a group of controllable variables that can be used to influence the customers' behavior (Pahwa & consultant, 2021). It is a set of marketing strategies used by businesses in managing their operation to pursue their marketing objectives. It can use to sell its products or services to its target customers. Marketing and strategy theories need to be developed and constantly changed to adapt with changes in the market and marketing practice (Goldsmith, 1999). By identifying the marketing mix elements, it helps businesses to make marketing decisions at every level such as developing strengths, improving weaknesses, and adapting the product to the changing environment. Marketing mix includes four elements which are Price, Product, Promotion, and Place.

Price is the selling price of the product. The selling price must be greater than the cost of production to avoid business losses. Price strategy is different based on the target customer and business environment.

Product refers to a product that can satisfies customer needs. The product assortment is based on the research of the customers' preference and culture. Typical market decisions made include branding, packaging, service and product design.

Promotion refers to the marketing communication. Promotional mix comprise elements such as Public Relation, advertising, direct marketing, and sales promotion. It includes message strategy about how to communicate the product with customers and channel strategy to reach the targeted potential customers.

Place refers to a way the end user can obtain the product, also known as a distribution channel. Different distribution strategies such as intensive, selective, or exclusive distribution are applied based on the marketing strategy.

McDonald's Malaysia

The man who brought McDonald's to Malaysia is the founder of Berjaya Group. In 1980, Tan's Golden Arch Restaurant obtained the franchise from McDonald's Corporation of the United States, and opened its first branch in Bukit Street, Malaysia in 1982, which is still open today (Fun, 2020). Today, McDonald's Malaysia has more than 200 branches all over the country, and it is still growing. As a restaurant operator in Malaysia, an Islamic country, McDonald's Malaysia provides halal food.

Past studies have examined McDonald's in terms of the impact of Covid-19 in which the sales are reduced due to the reduced number of customers, loss of franchisees, and the declined working hours. There was also a change in the purchase behavior of the customers, switching from walk-ins to drive-thru or delivery (Kee et al., 2021a). This might influence the effectiveness of the initial marketing strategies. Another past research has indicated that McDonald's critical success factors include innovation and technology, marketing strategy, and customer satisfaction (Kee et al., 2021b). Several marketing strategies have been suggested in previous study such as value-based pricing, increasing products variety, and improving customer service (Dilip et al., 2021). In this paper, we will assess the key factors driving McDonald's marketing performance and provide some recommendations for future development.

LITERATURE REVIEW

Product Innovations
Product can be in the form of a tangible object or intangible service produced to be marketed to consumers (Karim & Habiba, 2020). Aksoy (2017) mentioned that innovation is important in competition and wealth creation in business. It is known that innovation significantly influences the firm performance (Mansfield, 1981). Product innovation offers superior values to customers and grows the firms' market performance. In addition, innovation plays an important role in improving the marketing performance as it increases sales volume, number of customers, and market expansion (Farida, 2016). According to Geissdoerfer, Vladimirova, Fossen and Evans (2018), product and service innovation can be developing new products and services, modifying existing products and services, or substituting one product or service with another one.

Price Fairness
Price refers to the amount that a consumer has to pay for the product purchased or service enjoyed, usually it's charged economically (Karim and Habiba, 2020). Price fairness refers to consumers' overall assessments or perceptions of whether the offered price is reasonable, acceptable or justifiable (Xia, 2004). According to Marielza and Kent (1994), price fairness may be a variable which moderates the perceived sacrifice and perceived product value, and thus affecting the consumers' willingness to purchase. Customers tend to consider multiple references in making judgments, by comparing the cost of goods sold, previous prices, and competitors' prices to evaluate the price fairness (Bolton, 2003). Hanaysha (2016) confirms that in the restaurant industry, perceived price fairness is a major criteria to assess customer satisfaction.

Marketing Performance
Marketing is defined as a process of the firms engaging customers, building strong customer relationships and creating customer value, then, in return, capturing value from

customers (Armstrong, Kotler & Opresnik, 2020). Marketing performance refers to the extent to which the actual outcomes are aligned with the marketing goals and objectives (Wrike, 2022). Several important marketing goals include increasing brand awareness or reputation, and customer value to ensure customer loyalty or retention and to acquire new customers, ultimately, increasing the sales (Bhasin, 2021). Marketing performance has positive relationship with the accessibility of the business network. (Nupus & Ichwanudin, 2021). O'Sullivan and Abela (2007) indicate that to be able to measure marketing performance will have a significant impact on company's performance, profitability, stock returns, and marketing's stature. From another perspective, Morgan (2002) mentioned that the marketing performance defined as three-dimensional construct which are effectiveness, efficiency and adaptability.

Customer Satisfaction
Customer satisfaction refers to the degree of how well a product's perceived performance matches the customer's expectations (Armstrong, Kotler & Opresnik, 2020). According to Khan, Hussain and Yaqoob (2013), customer satisfaction is the fulfilment of the customer expectation of quality and service for his cost. Customer satisfaction strongly affects the competitiveness of the product and the company (Suchánek & Králová, 2019). Spiteri and Dion (2004) identify two types of satisfactions, which are the transactional satisfaction and overall satisfaction. Transactional satisfaction refers to the short-term evaluation of single purchase, and thus it is subjective as it focused narrowly on that particular product only (Wangenheim, 2003). In a cumulative perspective, overall satisfaction is the evaluation of the experience of purchasing and consuming as a whole (Fornell, 1992; Johnson & Fornell, 1991). Customer satisfaction is the key to build customer relationship that lasts long (Armstrong, Kotler & Opresnik, 2020).

Brand Loyalty
Brand loyalty is the degree of consumers' faithfulness to a particular brand, not affected by the competitors marketing efforts (Giovanisa & Athanasopoulou 2018). In the restaurant industry, customer loyalty is important for the success, sustainability, and profitability (Mohammad Haghighi, 2012). Companies that possess high customer loyalty have an advantage in competitiveness (Aksu, 2006). Ismail and Arumugam (2021) indicate that by converting the regular customer into a loyal one can ensure McDonald's restaurants sustain in the market. This is because loyal consumers have higher willingness to pay more and are less sensitive to price (Krishnamurthi & Raj, 1991).

Place and Distribution Channel
Place refers to where and how the product and service can be received by the customer (Yeu et al., 2012). It includes the company effors in making the product available to the consumers (Kotler & Armstrong, 2009). Place is not just about the physical location. It is important to adapt to the consumers' changing necessities. For instance, McDonald's put efforts in increasing convenience level and create special distribution methods like McDelivery, Drive-thru, and 24-hours services (Panwar & Patra, 2017). Company hopes that the customer can access the product more easily through distribution by several agents (Hadi, 2021).

Hypothesis and Research Framework

Relationship between product-service innovations and marketing performance.
Innovation refers to the implementation of useful and creative ideas for improving products, services, and processes and can be done radically, incrementally, or break-through through the design, process, and technological approach (Racela, 2014). Marketing performance criteria include sales, market share, cost, earnings, and company image (Novi, 2020). Product innovation that is successful will bring earnings of

benefits, increment of market share, and positively impact the marketing performance (Fossas-Olalla, Minguela-Rata, López-Sánchez, & Fernández-Menéndez, 2015). This is further supported by the study by Kim, Kim, and Choi (2017) which stated that product design innovation contributes to perceived value, which will affect consumers' buying decisions and increase the purchase intention. Besides, customer orientation in product innovations serves products in accordance with customers' wants and needs, increasing the marketing performance (Waliuddin & Umar, 2022). As the food quality significantly influence customer satisfaction and subsequently customers' behaviors, innovations are essential to improve the quality considering the five dimensions such as attractive smell, menu variety, nutritional value, delicious taste, and freshness (Namkung & Jang, 2007; Ryu & Han, 2010). As demonstrated in the previous study by Nataya and Sutanto (2018), service innovation is a significant variable in marketing performance and should be considered the major competitive strategy for customer retention because customers will prefer competitors with similar products which provide better services. As such, we hypothesize:

H1: Product-service innovations have a positive relationship with marketing performance.

Relationship between pricing strategies and marketing performance.
Price refers to the total value given in return by customers to enjoy the benefit of acquiring or using a product or service in the form of money (Istanti, Sanusi & GS, 2020). Price is considered a major factor that influences customer behavior as customers will opt for the best-priced products and services to maximize their benefits and minimize their costs (Hanaysha, 2016a). Price fairness also refers to the consumer perceptions of whether the offered prices are reasonable, satisfactory, or justifiable, encompassing a comparison with other competitors (Xia, Monroe & Cox, 2004). Price fairness serves as a significant driver of brand loyalty, brand image, and brand preference (Hanaysha, 2016). Besides, it also has a vital impact on customer satisfaction which will influence customers' post-purchase behaviours which include recommendations, positive or negative comments, and repurchasing (Rothenberger, 2015; Wang, Potoglou, Orford & Gong, 2015). Pricing strategy is important as a marketing effort because consumers tend to evaluate the value they will obtain from their purchase, by making price comparisons with the competitors, before making purchase decisions. One of the pricing strategies is the price bundling strategy, whereby two or more products are sold in one discounted price package, offering a cheaper price for bundled purchase than buying each of the products individually (Ferreira & Antunes, 2019). It is suitable in the food industry to increase sales and reduce store time (Fang, Jiang & Han, 2018; Yan & Bandyopadhyay, 2011). Good pricing strategies will encourage sales as customers tend to choose brands with fair prices and high values (Hanaysha, 2016). Thus, based on this discussion, the following hypothesis is formed:

H2: Pricing strategies have a positive relationship with marketing performance.

Relationship between promotion planning and marketing performance.
Promotion activities significantly affect marketing performance (Nurjaya, 2022). Promotion is important in developing customer satisfaction and subsequently increasing purchase intention. The promotion mix includes in-person sales, public relations, sales promotion, and advertising. (Novi, 2020) Promotions function to communicate with consumers and to influence them in purchasing or adopting services based on their desires and needs (Istanti, Sanusi & GS, 2020). Promotion strategies help to attract customers and buyers (Salim, Saputra, Hayu & Feblinsa, 2020). According to Gonca and Düzgün (2018), sales promotion serves as temporary incentives to encourage the customers to try or acquire a product or service. Promotion campaigns through social media help to develop and strengthen the relationships between customers and the

business while providing information on customers' needs and behaviours, which will encourage improvements and eventually achieve the marketing objectives (Nguyen, Yu, Melewar & Chen, 2015; Wang, Hsiao, Yang & Hajli, 2016). Promotion in the form of advertisements through various approaches including printed media, commercial advertising, and internet advertising helps to disseminate product information to target customers while creating brand awareness and building company image, eventually generating profits, especially during product launching (Haque, Rahman, Ahmed & Yasmin, 2011). According to Tellis (2004), advertising is used to communicate with the consumers and introduce new or improved products to the consumers, in order to achieve marketing objectives and attract sales. The next hypothesis is formed based on this discussion:

H3: Promotion planning has a positive relationship with marketing performance.

Relationship between place and distribution channel strategies and marketing performance.
Distribution channels serve for the provision and availability of products to the market (Saif, 2018). Over time, the distribution channel strategy has evolved from the traditional way of selling face-to-face in the marketplace to the modern way of online selling. A multiple-channel strategy that combines traditional and electronic channels is used to approach more customer segments and thus expand the market (Adesoga & James, 2019). According to Parsa, Gregory, and Terry (2010), the selection of place is a key determinant of the success or failure of a restaurant, considering geographic and demographic factors. Moreover, Melia (2010) also indicated that location quality should be compared against major competitors to ensure sustainable competitive advantage. The criteria of a good location for fast food restaurants include site accessibility, size, area population, the intensity of competition, and economic condition. A strategic location that is visible and easily accessible in a highly populated area leads to brand awareness by exposing to more customers. Consumers will have a favourable impression of the brands which manage to secure strategic places in busy areas. By offering the convenience of easy accessibility, the consumers are more likely to develop repurchase intentions (Hanaysha, 2016c). Distribution through the internet such as online ordering provides an additional distribution channel, giving more opportunities for consistent upselling, and the opportunity to streamline. The use of smartphone apps provides the necessary information to the customers such as restaurant location and GPS online order delivery tracking and this convenience will enhance customer acceptance (Balasubramanian & Balraj, 2015). According to the research by Bui and Nguyen (2021), the increase of the number and diversity of distribution channels allow the business to distribute their products better. Due to these findings, the hypothesis is formed:

H4: Place and distribution channel strategies have a positive relationship with marketing performance.

Research Framework
Figure 1 shows the framework used in conducting this study. The independent variables are product-service innovations, pricing strategies, promotion planning, and place and distribution channel strategies. Marketing performance is the dependent variable of the study.

Figure 1. Research Model
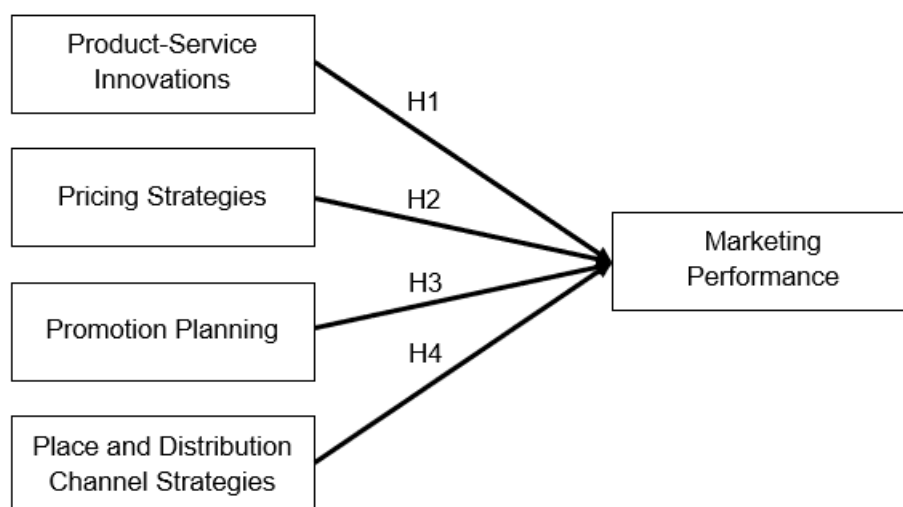
RESEARCH METHOD

Primary research and secondary research are used in this study. Primary research is defined as a method used by researchers to collect first-hand data. It is also referred to as original research. The primary research in this study is an online survey via Google Forms. The sample size of this questionnaire is selected randomly with a total of 200 respondents. 5-Point Likert scale is used and the data analysis was done using the IBM SPSS Statistics Software 26.

Secondary research is collecting data through third parties from previous research. The secondary data used in this study are internet sources, case studies, journals, and articles. The reason for using secondary data is that it can be found easily. The online research method was taken throughout the study as it provides a wider range of data and more reliable information about the company, McDonald's.

Table 1. Summary of Respondents' Profile (N=200)

Response	Frequency	Percentage (%)
Gender		
Male	104	52.0
Female	96	48.0
Ethnicity		
Malay	73	36.5
Chinese	104	52.0
Indian	23	11.5
Age		
10 - 25 (Gen Z: Born between 1997-2012)	91	45.5
26 - 41 (Millennials: Born between 1981 - 1996)	60	30.0
42 - 57 (Gen X: Born between 1965 - 1980)	22	11.0
58 - 76 (Boomers: Born between 1946 - 1964)	27	13.5
Educational Level		
Secondary School	28	14.0
Pre-university	26	13.0
Bachelor's Degree	126	63.0
Master's Degree	16	8.0

PhD	3	1.5
Others	1	0.5
Monthly Household Income		
RM 4,850 and below (B40)	93	46.5
RM 4,851 - RM 10,970 (M40)	80	40.0
RM 10,970 and above (T20)	27	13.5
Occupation		
Student	76	38.0
Employed	48	24.0
Self-employed	29	14.5
Freelancer	32	16.0
Unemployed	8	4.0
Retiree	7	3.5
Living Area		
City	103	51.5
Town	82	41.0
Rural	15	7.5
How often do you purchase McDonald's products?		
Once a day	12	6.0
Several times a week	23	11.5
Once a week	20	10.0
Several times a month	66	33.0
Once a month	35	17.5
Once in a few months	43	21.5
Never purchase McDonald's products before	1	0.5

Table 1 presents a summary of the participants' profiles. Most of the respondents were male (52%). In terms of ethnicity, 52% of participants were Chinese. 45.5% of participants were 10-25 years old. Most of the participants were students and 63% of participants have a bachelor's degree, indicating they are highly educated. 46.5% of respondents were B40 and 51.5% were living in the city area. 33% of the respondents purchase Mcdonald's products several times a month.

RESULT

Table 2. Descriptive Statistics, Cronbach's Coefficients Alpha, and Zero-order Correlations of All Study Variables

Variables	1	2	3	4	5
1. Product-Service Innovations	**0.872**				
2. Pricing Strategies	0.743**	**0.811**			
3. Promotion Planning	0.714**	0.739**	**0.874**		
4. Place and Distribution Channel Strategies	0.673**	0.696**	0.718**	**0.773**	
5. Marketing Performance	0.373**	0.310**	0.302**	0.249**	**0.937**
No. of Items	9	5	7	7	4
Mean	4.031	3.933	4.016	3.954	4.250
Standard Deviation	0.657	0.691	0.741	0.652	0.850

Note: N = 200; *p < 0.05, **p < 0.01, ***p < 0.001. Diagonal entries in bold indicate Cronbach's coefficient alpha.

Table 2 shows the descriptive statistics, cronbach's coefficients alpha, and zero-order correlations of all study variables. The coefficients alpha range is between 0.773 to 0.937

which show the four independent variables are documented acceptable internal consistency reliability and all variables exhibited reliability. Thus, product-service innovations, pricing strategies, promotion planning and place and distribution channel strategies have a positive correlation with marketing performance.

Table 3. Summary of Regression Analysis

Variables	Marketing Performance
Product-Service Innovations	0.312**
Pricing Strategies	0.065
Promotion Planning	0.075
Place and Distribution Channel Strategies	-0.061
R^2	0.144
F Value	8.225***
Durbin-Watson Statistic	1.558

Note: N = 200; *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

Table 3 presents the summary of regression analysis. Multiple regression is used to determine the relationship between the independent and dependent variables. The independent variables for this multiple regression are product-service innovations, pricing strategies, promotion planning and place and distribution channel strategies while the dependent variable is marketing performance. Based on the results, H1 is supported which is product-service innovation. It shows the highest beta value which is 0.312 and indicate a positive correlation with the marketing performance. Then, H2 and H3 revealed that pricing strategies and promotion planning have no significant impact on marketing performance as the beta values are 0.065 and 0.075 respectively. Therefore, H2,H3 and H4 are rejected and not supported. Next, the R^2 value for this model is 0.144, which indicating that the 4P could explain 14.4% of the variance in the marketing performance. Another 85.6% could not explained by these variables and the factors that did not include in the regression model. The F-value of 8.225 is a significant value, indicating that the model is not fitted. Durbin-Watson statistic shows value of 1.558 which indicating a normal value and no autocorrelation error.

DISCUSSION

Based on the findings, product-service innovation is significant predictor of marketing performance. In contrast, pricing strategies and promotion planning, and place and distribution channel strategies have no significant impact on marketing performance.

As evidence in Table 3, product-service innovation is a dominant variable that significantly affects the marketing performance of McDonald's. Product innovation is important for corporate survival and prosperity for many firms (Copper,1987). Company can increase the ability in producing quality products by developing product innovation (Erlangga, 2022). One of the reasons to make an innovation is the old products' demand have reached it saturation, we need a new product to increase consumer desire to purchase the product (Haji, 2017). Then, Kusumawati (2010) noted that product innovation can help businesses to increase their competitiveness, sales, and profit. In addition, product and service innovation can add values to the company to help the company in facing competition (Grawe, 2009). The competitive and dynamic market cause the companies need to continuously innovate their products because developing new services can cause new needs from customers and increase the demand. Keller (2003) stated that the product image is important to differentiate its products and win the customer in the international market. It is necessary to design specific products and services for a company to represent its identity. fast-food industries nowadays are

competing to provide the best products and services to fulfil the customers' satisfaction. As specified by Saif and Aimin (2016), we can completely fulfill the needs and wants of customers by designing and delivering the products and services to customers. Kumar (2010) also mentioned that when we give the best services with quality, it can result in the retention of the customer. By innovating the products and services, the better experiences given to customers can help the company to exceed the expectation of consumers and improve their repurchase intention.

The study shows pricing strategies, promotion planning, and place and distribution channel strategies have no significant impact on marketing performance of McDonald's. This could be due to the Covid-19 pandemic in which the Movement Control Order (MCO) with the encouragement of "Stay at Home" for social distancing has largely reduced its advantages of having advertisements everywhere and its wide distribution channel. Although McDonald's is available for online delivery, the rise of food delivery services has largely increased the competition as more foodsellers entered the food delivery market, diminishing McDonald's previous advantage of having McDelivery services. However, there are two dependent variables show positive correlation with marketing performance which are pricing strategies and promotion planning. Simovska Jarevska et al. (2012) reported that price is considered as one of the key factors of customer satisfaction. Some pricing strategies will affect customer behavior which are penetration pricing, price skimming, premium pricing, psychological pricing and competitive pricing. The companies use the strategies to attract customers' attention. According to Yeu et al. (2012), he mentioned that customer will consider whether the product is worthy to buy. Thus, it is bad to set the price too low because the customer may think that the low price indicates compromised quality. However, the pricing cannot significant influence the marketing performance, due to the competitive pricing of fast food in Malaysia as the foodsellers lower their prices to increase customer affordability (Abdullah, 2015). Thus, the price is hard to be strength of McDonald's to compete with other companies and improve marketing performance. After that, promotional planning, include advertising, can make people aware of a product or services (Yeu et al., 2012). It can help people remember the product and understand its function. The promotion can help consumer to know the product and generate smooth sales (Erlangga, 2022). Lehtinen (2011) also mentioned that the promotion activities can affect the relationship between company and customer positively and boost the sales. The companies use the same promotional strategies such as discount, gift and advertisement. The similar pricing strategies and promotional planning of companies in the market are one of the factors that lead to less significant impact on marketing performance. Furthermore, the research shows a negative relationship between place and distribution channel strategies and marketing performance. It is because the advance in technology and distribution channel in the market, the customers able to pick various of foods and beverages through delivery apps. McDonald's is not the only company that have intensive distribution channels so it cannot fulfil the customers satisfaction because they still have many choices. The obtained results correspond to Yeboah (2013), who studied the distribution strategies of the fast-moving goods and found that distribution strategy has a negative relationship with the rate of return and sales increment.

IMPLICATIONS

According to the findings, McDonald's Malaysia needs to focus on its product innovations as it significantly affects the marketing performance. Hence, McDonald's needs to make improvements to their products. Living a healthy lifestyle is a trend now, as the awareness significantly increases during the Covid-19 pandemic. Nowadays, people are starting to concentrate on eating healthy to boost their immunity. McDonald's is recommended to develop a healthy menu that is socially acceptable. For example,

salads, chicken salad wrap, oatmeal, and fruits. All foods must be certified as meeting all healthy food requirements. This could attract more health-conscious customers.

Besides, McDonald's may also concentrate on increasing the variey of its menu by localization. By offering different types or flavours of food following the latest local trend, it will attract the customers to try. For example, the "Nasi Lemak Burger" launched previously is one of the successful fusion innovation done by McDonald's Malaysia to position itself in the competitive market of burgers. Thus, it is recommended to investigate the iconic Malaysian taste to implement in the menu ideas, such as onde-onde, ais kacang, roti canai, etc.

Moreover, McDonald's should continually invest in new product market to increase its potential customers. Young consumers are altering their diets to fight climate change and they are willing to spend more on environmental-friendly foods. Not only due to religious practice, more consumers are practicing a vegetarian diet as a result of the increasing health and environmental awareness. Plant-based fast-food items are still not common in Malaysia. Therefore, McDonald's could innovate vegan foods on its menu to pioneer the market. Introducing vegan choices is a good way to improve the business sales as well as its reputation in sustainability.

CONCLUSION

In conclusion, the increasing work pace and the desire for idleness have grown the consumer demand for a quick yet convenient meal. As our research framework shows, there should be a positive relationship between product service innovations, pricing strategies, promotion plan, channel strategy and distribution channel strategies and marketing performance. Based on the findings, product-service innovation is a significant predictor of marketing performance. In contrast, place and distribution channel strategies are less significant with marketing performance while pricing strategies and promotion planning have no significant impact on marketing performance. It is suggested that McDonald's can focus on its product innovations as it significantly affects the marketing performance.

LIMITATION

Nonetheless, there are still limitations faced by us during this research which is the SPSS software issue as this is our first time handling our data by using it. Firstly, it may be challenging to assess whether a certain result is a true discovery when there is a small sample size. Furthermore, as the survey form was distributed by the researchers, generally to their families, friends, and relatives, the respondents might not be random enough and could be dependent and provide inaccurate or biased responses. Besides, we have limited time to complete our report which may lead to incomplete research. We hope that this research inspires future research on how product-service innovations, pricing strategies, promotion planning, and place and distribution channel strategies can affect the marketing performance of McDonald's. McDonald's may also be more creative with their breakfast menu by expanding the options available to entice consumers.

DECLARATION OF CONFLICTING INTERESTS
The authors declare that there is no conflict of interest in completing the Nusantara Project.

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