

# McDonald's Needs to Make a Few Marketing Adjustments

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## Less Big Mac, More Value; Ad Shift Could Fuel McDonald's Sales

(Bloomberg Intelligence) -- McDonald's can build on its impressive U.S. same-store-sales gains since 2H15 and its guest-traffic increase last year by reshaping its marketing program, including shifting ad dollars from the Big Mac and toward the value menu. The chain's consumer-motivation scores, according to predictive-analytics company Cognovi Labs, remain low despite the recent success. Cognovi's research found room to improve breakfast ads and big opportunities to attract customers with smart messaging around the \$1 \$2 \$3 menu and sustainability initiatives.

Cognovi, an artificial-intelligence and behavioral-science company, analyzes social-media conversations to form insights on customers' behavior and future traffic and sales. Its marketing analysis on McDonald's has been provided exclusively to Bloomberg Intelligence. (03/14/18)

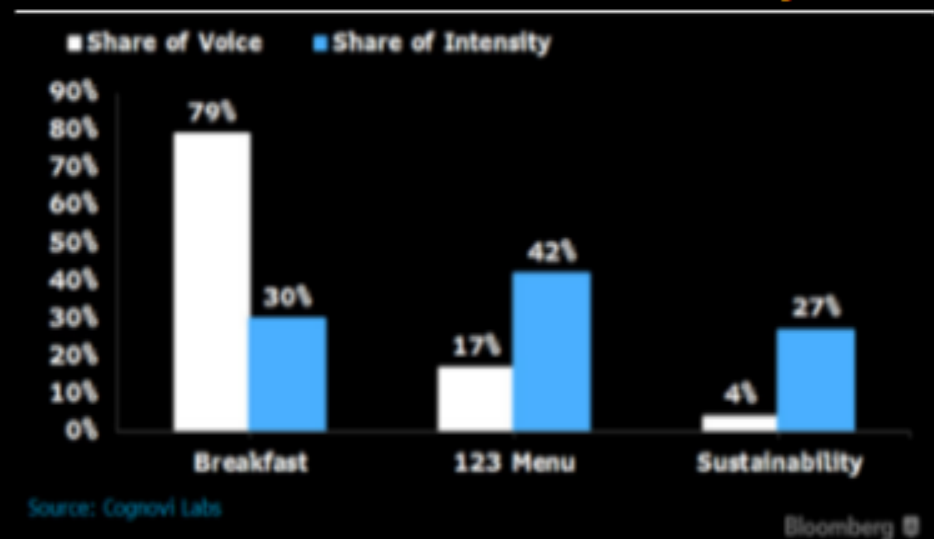
## 1. \$1 \$2 \$3 Dollar Menu Opportunity 📧

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McDonald's Dollar Menu provides a big opportunity to drive traffic, according to Cognovi. This menu has a consumer-motivation score of 53 out of 100, triple McDonald's overall and 50% higher than breakfast. It also generates a stronger emotional connection vs. breakfast, shown by the 40% higher "share of intensity." The value menu motivates customers to eat at McDonald's, contrary to an analyst report that expressed concern. The chain should shift ad dollars to the menu and keep using social-media influencers to improve engagement. Model Chrissy Teigen ads, for example, generated emotionally charged social-media posts.

Cognovi's AI-generated consumer-motivation score quantifies intention to eat at McDonald's. Share of intensity captures emotional engagement toward a brand or product, and is a good predictor of sales. (03/14/18)

### McDonald's Share of Voice and Intensity



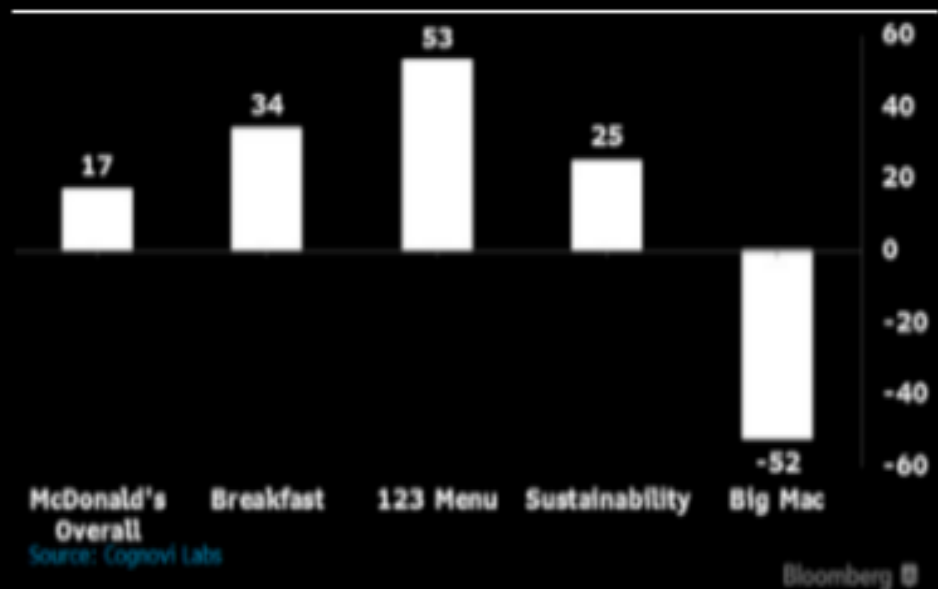
Exhibit

## 2. McDonald's Must Focus on Value, Not Big Macs

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McDonald's should divert ad dollars away from the Big Mac and to the value menu and sustainability initiatives. The chain brought back different Big Mac sizes again in 1Q, fueling social-media conversations that also revealed some brand avoidance, according to Cognovi. The sandwich had a negative impact on consumers' motivation to dine at McDonald's, represented by a consumer-motivation score of minus-52, and could hurt store traffic and future sales. Since consumers are negative about this sandwich, the company may want to consider another approach. We think expanding its fresh-beef initiative to the Big Mac or slathering its French fries and chicken sandwiches in Big Mac sauce may be worth testing. (03/14/18)

McDonald's Consumer Motivation Scores



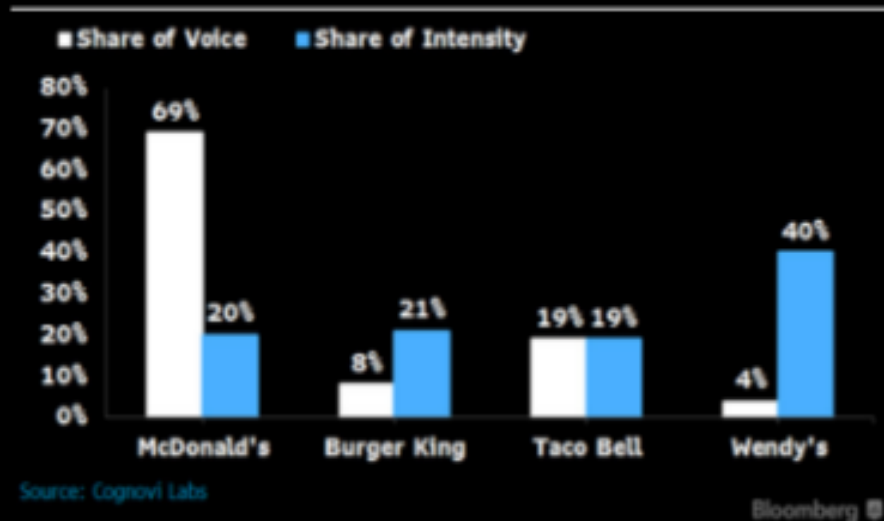
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### 3. Breakfast Messaging Change Needed 📧

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McDonald's needs to change its All-Day Breakfast messaging to improve its emotional connection to customers and drive traffic, according to Cognovi. Ad dollars don't need to be increased. In fact, the chain has a massive competitive advantage, boasting a 69% share of voice (how much of the conversation with targeted consumers a brand owns) on breakfast vs. Burger King, Taco Bell and Wendy's. McDonald's can boost consumer engagement and traffic by leveraging social-media influencers, such as Chrissy Teigen, who have the ability to connect emotionally to customers.

#### Share of Voice and Intensity



Source: Cognovi Labs

Bloomberg

Exhibit

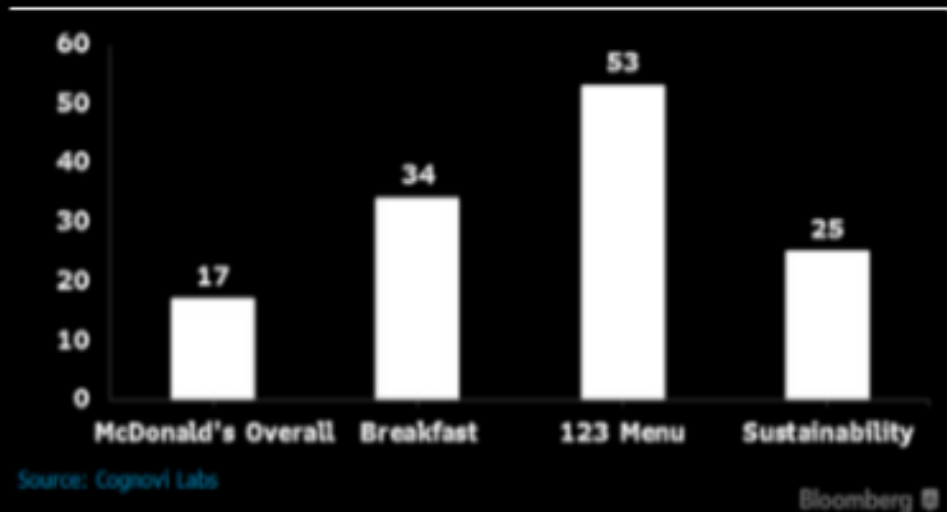
McDonald's falls short on emotional engagement with breakfast ads, shown by its share-of-intensity score of 20%. Wendy's score is 40%, signaling strong emotional ties with customers and an opportunity for it to take breakfast market share by boosting ad spending. (03/14/18)

#### 4. McDonald's Should Tout Sustainability

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Sustainability is a polarizing yet important issue for restaurant consumers, helping to attract millennials and boost sales for chains including Shake Shack and Chipotle. According to Cognovi, McDonald's also has an opportunity to capitalize on this trend. Sustainability has a consumer-motivation score of 25, 50% higher than McDonald's overall rank, signaling an opportunity to engage customers and drive traffic. McDonald's should commit more ad dollars to increase its share of voice on its sustainability and recycling efforts and be more consistent with its messaging.

McDonald's Consumer Motivation Scores



Exhibit

Cognovi's AI identified McDonald's use of balloons as a problem. The company recommends a switch to balloon-free restaurants or environmentally friendly balloons to enhance the chain's reputation and drive increased emotional engagement with customers. (03/14/18)

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