

# Repositioning: A Case Study of McDonald's New Zealand

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partial fulfilment of the degree of Master of Business

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# *Table of Contents*

Table of Contents .....	2
Attestation of Authorship .....	6
Acknowledgement .....	7
Abstract .....	8
Chapter 1: Introduction .....	9
1.1 Aim .....	9
1.2 Outline of this chapter .....	9
1.3 Background to the research .....	9
1.4 Research questions .....	10
1.5 Justification for the research .....	10
1.6 Limitations .....	11
1.7 Methodology .....	11
1.8 Outline of the dissertation .....	11
1.9 Definitions .....	12
1.10 Conclusions .....	12
Chapter 2: Literature Review .....	14
2.1 Introduction of the chapter .....	14
2.2 Branding .....	14
2.2.1 The concept of the brand .....	14

2.3 The concept of positioning and repositioning.....	15
2.3.1. Characteristics of repositioning.....	16
2.4 The Yakimova & Beverland (2005) model .....	16
2.4.1 Market orientation .....	17
2.4.2 Brand-supportive dominant logic.....	21
2.4.3 Generative learning .....	24
2.5 How to develop brand updating abilities .....	28
2.6 Conclusion of the chapter .....	28
Chapter 3: Research Methodology.....	30
3.1 Introduction of the chapter.....	30
3.2 Unit of analysis .....	30
3.3 Justification for choice of methodology .....	30
3.4 Data sources.....	31
3.4.1 Secondary data .....	31
3.4.2 Primary data .....	33
3.5 Procedure for collecting secondary data .....	33
3.6 Procedure for collecting primary data.....	33
3.7 Interview guide .....	34
3.8 Validity and reliability .....	35
3.9 Limitations .....	36
3.10 Conclusion of the chapter .....	37
Chapter 4: Findings.....	38
4.1 Introduction of the chapter.....	38
4.2 Summary of the case .....	38

4.3 Market orientation.....	39
4.3.1 Less fat, sugar and salt.....	39
4.3.2 New healthy menu .....	39
4.3.3 New ‘Happy Meal’ .....	40
4.3.4 Nutritional facts.....	40
4.3.5 National/local government health cooperation programme .....	41
4.3.6 Signals from the market .....	42
4.3.7 Conclusion on market orientation.....	43
4.4 Brand-supportive dominant logic .....	44
4.4.1 Brand journalism approach .....	44
4.4.2 Sponsor of local and national athletics programmes.....	45
4.4.3 Journey of change.....	46
4.4.4 Conclusion on brand-supportive dominant logic .....	47
4.5 Generative learning.....	48
4.5.1 Learning from the market.....	48
4.5.2 Conclusion on generative learning .....	49
4.6 Conclusion of the chapter .....	49
Chapter 5: Discussion .....	51
5.1 Introduction of the chapter.....	51
5.2 Statement of research aim and research questions.....	51
5.3 Conclusions regarding research questions .....	51
5.4 A revised model .....	52
5.5 Implications for theory.....	53
5.6 Implications for management practice.....	54

5.7 Limitations .....	54
5.8 Future research.....	55
5.9 Conclusion .....	55
References.....	56
Appendix 1: Ethical Approval .....	62
Appendix 2: Participant Information Sheet .....	64
Appendix 3: Consent Form.....	67
Appendix 4: Interview Guide.....	69
Appendix 5: Transcription of interview with McDonald's NZ .....	70

## *Attestation of Authorship*

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the qualification of any other degree or diploma of a university or other institution of higher learning, except where due acknowledgement is made in the acknowledgments.

Steven Chang

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# *Acknowledgement*

I acknowledge the assistance of proofreader Matthew Bauer in the correction of spelling, punctuation, grammar and sentence construction in this dissertation.

# *Abstract*

Repositioning is one of the strategic decisions commonly undertaken by today's businesses. The purpose for businesses to reposition themselves is to close or minimise the gap between the firm's offering and the demand from the customers. Repositioning is a continuous act which is implemented by organisations in order to adapt to the changing business environment. From 2003 onward, McDonald's and its global franchisers have been undertaking changes in its menu toward the trend of being health orientated. The aim of this research was to examine whether Yakimova & Beverland's (2005) model of *brand updating ability* explains the success of McDonald's repositioning. Furthermore, this research examined McDonald's repositioning based on the three elements (market orientation, brand-supportive dominant logic and generative learning) from Yakimova & Beverland's (2005) brand updating model.

This research applied the *single case study* research methodology. The secondary data was collected based on a number of business magazines, news articles and company reports. The primary data was collected from the senior member from the marketing team at McDonald's New Zealand. Moreover, thematic analysis was applied when analysing the data.

The findings of this research indicate the repositioning activities that have been undertaken by McDonald's and its global franchisers demonstrated a linkage with market orientation and generative learning; McDonald's has been continually gathering information from both customers and the market to maximise its performance. Nevertheless, the findings suggest McDonald's only has a reasonable level of linkage with brand-supportive dominant logic. The findings suggest McDonald's is less likely to implement brand improvement activity as an ongoing process.

This research produces both theoretical and managerial implications. From a theoretical perspective, this research suggests that in order to acquire updating ability, it is important to focus equally on market orientation, brand-supportive dominant logic and generative learning. From managerial perspectives, managers should develop the brand orientated organisational culture within the company. The limitations of this research are a lack of primary data, over use of secondary data and a singular unit of analysis.



# ***Chapter 1: Introduction***

## **1.1 Aim**

The aim of this research is to examine if Yakimova & Beverland's (2005) model of *brand updating ability* explains the success of McDonald's repositioning. Furthermore, this research will examine McDonald's repositioning based on the three elements (market orientation, brand-supportive dominant logic and generative learning) from Yakimova & Beverland's (2005) brand updating model.

## **1.2 Outline of this chapter**

This chapter provides a summary of the background to the research, the research question, a justification for the research, the limitations of the research, the research methodology, and the structure of the dissertation. Key terms used in the research are defined.

## **1.3 Background to the research**

Repositioning is the business strategy which aims to alter the existing brand image which is portrayed to the customer (Yakimova & Beverland, 2005). Repositioning strategy is also a conscious act which is undertaken by marketers as they adapt to the changing business environment (Ryan, Moroney, Geoghegan & Cunningham, 2007). The purpose of developing and implementing a repositioning strategy is to close or minimise the *gap* between the product attributes desired by customers and the firm's offering (Corstjens & Doyle, 1989).

### **The Yakimova & Beverland (2005) Model**

Aaker and Shansby (1982) claimed when positioning or repositioning a brand, it is important for marketers to consider factors such as product attributes, price/quality, users, and product class. Furthermore, marketers must consider issues such as competitors, and how customers perceive competitors. In order to construct a successful repositioning strategy, it requires marketers to undertake an analysis not only of the internal environment but also of the external environment.

In order to construct a successful repositioning strategy it is important to ensure the company has brand updating ability before implementing any repositioning strategy. According to the Yakimova & Beverland (2005) model, brand updating ability contains three elements: (1)

*brand-supportive dominant logic, (2) supportive market orientation, and (3) a generative approach to learning.*

## **The Repositioning of McDonald's**

In order to reflect the changing needs of consumers today, and the increasing concerns about obesity and other health problems, especially in North America, McDonald's has changed many of its business practices (Powell, 2005). Firstly, in 2005, McDonald's UK announced that from 2006, it would add nutritional facts to the packaging of every individual item on its menu (Anonymous, 2005). McDonald's also introduced the new strap line "I'm lovin' it" as part of its promotional campaign (Tylee, 2003). In addition, in order to counter the negative publicity associated with being a provider of unhealthy food, McDonald's focused on promoting a 'balanced lifestyle' and supporting both local and national sports, such as athletics programmes. Finally, McDonald's made a series of changes to its menu, such as the introduction of a new healthy Happy Meal to the global markets (Dando, 2004; Wire, 2003).

### **1.4 Research questions**

The aim of this research is to examine if Yakimova & Beverland's (2005) *brand updating ability* model explains the success of McDonald's repositioning. To achieve this aim, three research questions will be answered regarding the repositioning of McDonald's:

1. Did McDonald's New Zealand display brand-supportive dominant logic?
2. Did McDonald's New Zealand display a supportive market orientation?
3. Did McDonald's New Zealand display a generative approach to learning?

### **1.5 Justification for the research**

The justification for this research is firstly that there is limited published academic research regarding repositioning in the fast food industry. Furthermore, the published news articles on repositioning in the fast food industry only provide a surface of understanding. Secondly, the repositioning of McDonald's represents one of the most dramatic repositioning changes in the fast food industry. The Yakimova & Beverland model is based on examining the capabilities and practices of successful brand repositioning. Therefore, it is worthwhile to examine if the Yakimova & Beverland model explains the success of McDonald's repositioning.

## **1.6 Limitations**

This research has a number of limitations. Firstly, the research findings are mainly drawn from secondary data such as magazine articles, news press or information from websites. Obviously, the secondary data is not specifically gathered for this research, therefore it can directly affect the richness of the data. Moreover, the secondary data can also contains potential risks such as bias from the author and secondary data does not answer the research question. Furthermore, the primary data is drawn from only the personnel who are working in McDonald's New Zealand. Moreover, only one interview has been undertaken for this research.

## **1.7 Methodology**

In order to test Yakimova & Beverland's model on the repositioning strategy adopted by McDonald's New Zealand, a *single case study* research methodology was applied to this project. Case study research methodology can be understood as an empirical research strategy which is both a logic of design and a set of data collection techniques (Yin, 2003). The findings of this research will be drawn from both primary and secondary data. The secondary data contains documents such as marketing plans, and written commentary from business magazines. The primary data is collected from the selected sample.

Ideally the sample will be drawn from the personnel who are currently working in the marketing team at McDonald's New Zealand, or anyone who was involved in the repositioning of McDonald's New Zealand. In regard to the interview method, a *semi-structured interview* with interview guide has been applied with the participant. Lastly, *thematic analysis* technique has been applied when analysing the data. Furthermore, *inductive* and *deductive data* analysing approaches have been applied when analysing the data. In other words, this research will firstly draw the themes from the data and then evaluate and compare the themes with the elements of the Yakimova & Beverland model.

## **1.8 Outline of the dissertation**

This research contains five chapters:

Chapter 1: Introduction

Chapter 2: Literature review

Chapter 3: Research methodology

Chapter 4: Findings

## Chapter 5: Conclusion

### 1.9 Definitions

Within this research, there are a number of theoretical terms which are frequently used; the following definitions explain the meaning of each one of them.

#### **Repositioning**

Repositioning is a business strategy which aims to alter the existing brand image which is portrayed to the customer (Yakimova & Beverland, 2005). Repositioning strategy is a conscious act which is undertaken by marketers as they adapt to the changing business environment (Ryan et al., 2007).

#### **Market orientation**

Market orientation is an organisational culture which assists the business to effectively and efficiently monitor the marketplace to achieve superior values for both buyers and sellers which also leads to an increase of profitability (Grinstein, 2008).

#### **Brand-supportive dominant logic**

Brand-supportive dominant logic (brand orientation) is an approach in which the process of the organisation revolves around the creation, development, and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantage in the forms of brands (Urde, 1999).

#### **Generative learning**

Generative learning emphasises a style of learning which focuses on continuous improvement rather than fragmented thinking. Furthermore, generative learning focuses on a willingness to think outside of the box (Barrett, 1995).

### 1.10 Conclusions

In conclusion, this chapter has provided a brief overview of this research. In order to reflect the changing taste of consumers and increasing concerns for health problems such as obesity, McDonald's has undertaken a series of changes to reposition itself in the market. On the other hand, due to the lack of existing literature regarding repositioning in fast food industry, it leads to a need for conducting this research. The aim of this research is to examine if Yakimova &

Beverland's (2005) model of *brand updating ability* explains the success of McDonald's repositioning.

Furthermore, this research is structured based on the three elements (brand-supportive dominant logic, supportive market orientation and generative learning) from Yakimova & Beverland's (2005)'s *brand updating ability model*. In other words, this research aims to explain the success of McDonald's repositioning based on these elements. This research has applied single case study methodology. Moreover, the findings are drawn from both primary and secondary findings. The research has a number of limitations such as: no in-depth interview was conducted, and the findings are mainly drawn from the secondary data. Lastly, this chapter contains a numbers of definitions for the theoretical terms which are frequently used in this research.

# ***Chapter 2: Literature Review***

## **2.1 Introduction of the chapter**

In this chapter, the research reviews the existing literature based on the Yakimova & Beverland's (2005) *brand updating ability model*. Firstly, it covers the concepts of brand, positioning and repositioning. Secondly, it provides a brief introduction of Yakimova & Beverland's (2005) *brand updating ability model*. This is followed by an in-depth discussion of market orientation, brand-supportive dominant logic and generative learning—the three elements of Yakimova & Beverland's (2005)'s *brand updating ability model*. Lastly, it contains a conclusion of this chapter.

## **2.2 Branding**

The branding decision is one of the most important strategic decisions which can directly influence the success of a business (Anonymous, 2007). Product positioning represents a strategic framework which connects the company and its customers (Wind, 1990) through linking the brand name with desired benefits for customers (Jewell, 2007). In the current business environment, researchers have claimed that, due to factors such as the increasing cost of R&D and the risk of imitation from competitors, repositioning an existing product can be more beneficial than launching a new product (Turner, 2003).

In response to global trends towards healthy eating, the McDonald's fast food chain has in recent years sought to dramatically reposition itself. The aim of this research will be to examine whether Yakimova & Beverland's (2005) model of *brand updating ability* explains the success of McDonald's repositioning strategy.

### **2.2.1 The concept of the brand**

From the marketing perspective, the brand refers to the identity of a product or service which is produced by a firm. Moreover, it can also refer to the name, symbol, and logo which represent the identity of that product or service (Weilbacher, 1995). Branding plays an important role in delivering information about the product or service to the customer, such as its price and attributes (Aaker, 1991). A successful brand can be understood as a credible guarantee to the customer about the product or service (Murphy, 1998). Moreover, brands play a role in protecting a producer from competitors; brands help achieve this by differentiating the product

or service from competitors' products. A successful branding strategy can provide companies with long-term security and growth, and an increase in the product's value because it can assist the business to achieve competitive differentiation, premium prices and security of demand (Temporal, 2000).

Customer needs represent one of the important factors which can influence customer brand selection (Ghodeswar, 2008). Generally, customer needs can be categorised into three types: (1) *functional* needs refer to the customer's demand for a product that solves a consumption related problem; the brand with a functional benefit aims to solve externally generated consumption needs; (2) *symbolic* needs refer to the needs for a product or service to fulfil internally generated needs such as self-enhancement or role position; and (3) *experiential* needs refer to the desires for a product or service that can provide sensory pleasure. A brand with an experiential benefit aims to fulfil the needs for stimulation and variety. A brand may fulfil more than one need simultaneously. Knowledge of the three different types of needs of customers can assist managers to develop their branding strategy (Ghodeswar, 2008).

According to Aaker (1996), one of the keys to a successful brand is to understand how to develop an effective brand identity. This requires marketers to understand what the brand stands for and to effectively express the identity to customers. Furthermore, a strong brand identity with high levels of awareness and loyalty from the customer can assist in developing the trust which, in turn, differentiates the brand from the competition (Ghodeswar, 2008)

### **2.3 The concept of positioning and repositioning**

Positioning refers to the image of a brand which is portrayed to consumers (Yakimova & Beverland, 2005). A successful positioning strategy can provide a strong linkage between the customers and the product attribute(s). One example from the consumer market is the case of iPod; Apple's successful positioning strategy for its portable music player has developed a strong linkage between brand image and the customers. Furthermore, it has assisted Apple to gain the majority of profits and market share in the portable music player market (Dempsey, 2005).

Repositioning is the strategy which aims to alter the existing brand image which is portrayed to the customer (Yakimova & Beverland, 2005). The purpose of developing and implementing a repositioning strategy is to close or minimise the *gap* between the product attributes desired by customers and the firm's offering (Corstjens & Doyle, 1989). Repositioning strategy is also a

conscious act which is undertaken by the marketers as they adapt to the changing business environment (Ryan et al., 2007). When a business is implementing a repositioning strategy, it aims to achieve two results: first it is expected to develop a strong association between the brand name's old and new positioning attributes. Secondly, it is expected that customers will cease to retrieve the old positioning for the brand and adopt the new positioning (Jewell, 2007).

### **2.3.1. Characteristics of repositioning**

Repositioning strategy is considered as the match to *balance* between the firm's offering and changes in the market (Corstjens & Doyle, 1989). Repositioning strategies can be categorised into three different types: *zero*, *gradual* and *radical*. *Zero* repositioning occurs when a business focuses only on the initial target segments and its own competitive advantage without any consideration given to the changing environment. In most cases, if the business environment is changing, companies who implement the zero repositioning strategy will lose their competitive advantage in the long run.

The *gradual* repositioning strategy is focused on regular, small, and continuing adjustments to the current positioning strategy. It is aimed at maintaining the minimum gap between the needs of the market and the firm's offering. The last type of repositioning strategy is associated with a zero repositioning. When a company has implemented a *zero* repositioning strategy for a long period of time, in most cases the gap between the needs of the market and the firm's offering will become too big to be closed even by a gradual repositioning strategy. Under this scenario, *radical* repositioning plays an important role which assists the company to make a major discontinuous change to its target segment or competitive advantage (Corstjens & Doyle, 1989).

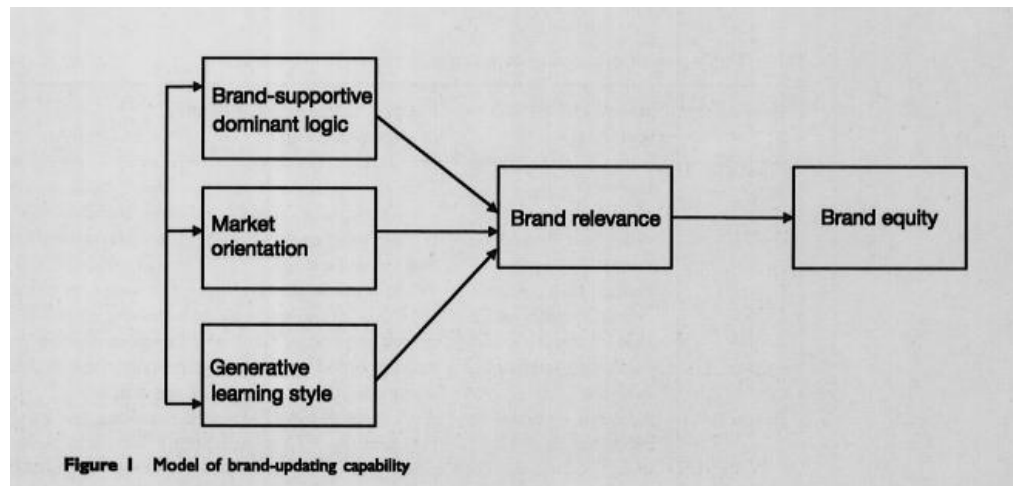
## **2.4 The Yakimova & Beverland (2005) model**

Aaker and Shansby (1982) claimed that when positioning or repositioning a brand, it is important for marketers to consider factors such as product attributes, price/quality, users, and product class. Furthermore, marketers must consider issues such as competitors and how customers perceive competitors. Constructing a successful repositioning strategy requires marketers to undertake an in-depth analysis which includes not only the internal but also the external environment.

Yakimova and Beverland (2005) claimed in order to construct a successful repositioning strategy marketers must ask themselves a critical question: "*How can I keep my present brand*



*strong and growing?*” In order to successfully maintain the competitiveness of the existing brand, it is important to ensure the company has *brand updating ability* before implementing any repositioning strategy. According to Yakimova and Beverland, the brand updating model contains three elements: *market orientation*, *brand-supportive dominant logic* and a *generative approach to learning*. In the next few sections, we will take a close look at each one of them.



**Figure 1** Yakimova & Beverland (2005) model of brand updating ability.

#### 2.4.1 Market orientation

The first element in the Yakimova & Beverland (2005) model is market orientation. Researchers define market orientation in different ways. The definition employed here comes from Slater & Narver (1995); market orientation is the implementation of the marketing concept philosophy, and it can be considered as a cultured orientation by the firm. Market orientation contains three behavioural components: customer orientation, competitor orientation and inter-functional orientation (Slater & Narver, 1995). In other words, market orientation is an organisational culture which assists the business to effectively and efficiently monitor the marketplace to achieve superior values for both buyers and sellers which also leads to an increase of profitability (Grinstein, 2008).

Slater and Narver (1995) claimed that, in order to create and maintain a positive and profitable relationship with customers, market orientation plays an important role of encouraging organisational learning behaviour. Moreover, empirical evidence has shown that companies that are implementing market orientation practice are more likely to have a better financial

performance compared to those that are not. It is because market-orientated companies are better at satisfying customers. These companies collect information about both the needs of customers and their capabilities more frequently than their competitors, with the result that these companies achieve financial superiority (Olavarrieta & Friedmann, 2008).

#### **2.4.1.1 The benefit of market orientation**

Market orientation refers to the organisational behaviour which encourages companies to focus on understanding and satisfying the needs of the customer without excluding the interests of other stakeholders such as employees and competitors (Deshpande, Farley & Webster, 1993). Furthermore, market orientation behaviour also contributes to companies in market intelligence generation which can be applied in areas such as new product development (Atuahene-Gima, 1996).

Jaworski and Kohli (1996) suggested that implementing market orientation behaviour can assist companies to achieve four main benefits: firstly, *financial* benefits. Based on empirical evidence, many researchers have claimed that increasing focus on the market can enhance the business's performance and return on assets (Deshpande et al., 1993; Ruekert, 1992). Secondly, *customer* consequences; an increase in the focus on market orientation can assist companies to achieve success in areas such as customer-perceived quality and value, customer-perceived levels of service, and customer-based order to delivery times (Kaplan & Norton, 1992). More specifically, market-orientated companies typically focus on providing different levels of services and responsiveness based on relative importance and customer segments. Thirdly, *employee* consequences. Empirical evidence has shown that market-orientated companies are more likely to affect the employee's attitude to the organisation (such as level of motivation, commitment and satisfaction). Lastly, the *innovation consequence*. As mentioned before, implementation of market-orientation practices can generate market intelligence which can be used for innovation issues (Jaworski & Kohli, 1996).

#### **2.4.1.2 Responsive and proactive market orientation**

It is obvious that businesses establish a competitive advantage in order to compete and survive in the market (Porter, 1985). Researchers have claimed that building up the competitive advantage is not purely about *how well* a company plays by the existing rules of the game. More importantly, it is about whether the firm has the ability to *change* the existing rules or not (Favalgi, Whipple, Ghosh & Young, 2005). Under this scenario, one of the ways to change the existing rules is through the *customer knowledge advantage* (Govindarajan & Gupta, 2001). In

other words, focusing on developing the customer knowledge advantage can assist the companies to acquire a sustainable competitive advantage.

In order to develop a customer knowledge advantage, market orientation plays an important role under this scenario. Slater and Narver (2004) claimed there are two forms of market orientation: *responsive* and *proactive*. Before examining these two types of market orientation, it is important to understand the concepts of *expressed* and *latent needs*. *Expressed needs* and *expressed solutions* refer to the needs and solutions that a customer can be aware of and express, such as the need for clean and hygienic clothes which may lead to a solution using cleaning detergent. A *responsive* market orientation is a business practice of focusing on understanding and satisfying the *expressed* need of the customer and providing a solution. Furthermore, expressed needs may initiate either an expressed or a latent solution (Narver, Slater & MacLachlan, 2004).

*Latent needs* and *latent solutions* refer to needs and solutions that are unknown by the customers. Hence latent needs may look quite intangible compared to expressed needs; nevertheless it is no less 'real' than the expressed needs. For example, at the outset of the development of portable music players, the need associated with the benefit for the MP3 player was a latent need. For a *proactive* market orientation, the focus is on discovering and satisfying the latent needs of the customer. In other words, a proactive market orientation can *lead* the customer to satisfaction of their needs (Narver et al., 2004).

In past decades, the concept of market orientation behaviour (especially responsive market orientation) has already become a common business practice. Thus, businesses are achieving sustainable competitive advantage from a responsive market orientation. However, more than likely, as the business continually implements a responsive market orientation in the future, ultimately there will be an increased need for a proactive market orientation. In other words, rather than focusing on what is happening in the market, in the future businesses need to discover and fulfil the latent needs of the customer in order to create and maintain a sustainable competitive advantage (Narver et al., 2004).

#### **2.4.1.3 Market orientation and strategic orientation**

Many researchers argue that market orientation is the most important strategic orientation which can directly affect overall organisational performance. Nevertheless, some researchers claim the *balance* between market orientation and other strategic orientations is the primary factor which influences a firm's performance (Atuahene-Gima & Ko, 2001). Based on

empirical data, Grinstein suggested market orientation has a positive relationship between four strategic orientations: first the *learning* orientation; the empirical data suggests market orientation is strongly related to learning orientation. It is obvious that market orientation and learning orientation share the same values and beliefs. As the firm starts to develop the knowledge, more than likely they will frequently acquire the market information and constantly examine the quality of this information (Grinstein, 2008).

Secondly, market orientation has a positive relationship with *entrepreneurial* orientation. Both market and entrepreneurial orientation aim to satisfy the expressed and latent needs of the customers. Furthermore, marketing information and knowledge are most likely to be considered as one of the important elements for the entrepreneurial process (Atuahene-Gima & Ko, 2001). Thirdly, the *employee* orientation; market orientation is likely to increase employee loyalty, job satisfaction, organisational commitment and team spirit (Siguaw & Honeycutt, 1995). This is because employees who are from market-orientated and employee-orientated organisations are more likely to share the information, participate in the decision-making process, and work together to achieve common goals (Jaworski & Kohli, 1993). Lastly, market orientation has a positive relationship with *innovation* orientation. The reason for the positive effect is because market orientated firms are more likely to focus on new product development in order to satisfy the latent needs of the customers (Hurley & Hult, 1998).

In summary, the literature claims marketing orientation is an organisational culture which strongly influences the practice and behaviour of an organisation. Nevertheless, a successful market-orientated firm must not exclude other strategic orientations. Furthermore, in order to successfully implement market-orientation behaviour, firms must develop their organisational culture with the combination of other strategic orientations (Grinstein, 2008).

#### **2.4.1.4 The barriers to market orientation**

Studies suggest there are a number of barriers which can affect the effectiveness of market orientation. Felton (1959) suggested the greatest barrier to market orientation can be executive inexperience, incomplete integration of organisational functions, and a lack of management and misuse of hierarchical position. Furthermore, Felton (1959) argued the barriers for market orientation are more likely caused by irrational employee behaviour. This leads to imperfection in employee decision-making (Felton, 1959).

Gummeson (1991) argued the resistance to new orientation strategies, tactics and plans from all level employees represents one of the greatest barriers to market orientation. Therefore, it is

not only the top management's responsibility, but employees at all levels to understand the importance of market orientation and the motivation behind it (Gummesson, 1991). Similar to Gummesson (1991), Messikomer (1987) argued the primary barrier to market orientation is the values, beliefs and culture of the organisation. In other words, the traditional organisational culture, such as a lack of cooperation and coordination, a lack of appropriate skill, and departmental myopia represent the barriers which can directly influence the effectiveness of market orientation (Harris, 1999).

#### **2.4.1.5 How to enhance market orientation**

Harris (1999) suggests in order to develop market orientation, it is important to focus on the organisational members. Narver (1991) suggested that by applying two basic approaches: *Top-down Change Efforts* and *Bottom-up Change Efforts*, the effectiveness of market orientation in an organisation can be directly enhanced. *Top-down change efforts* refer to the organisational change efforts that are initiated by senior management. In this situation, key issues such as making credible resources allocation, consistent commitment, and encouragement informed risk-taking are led by management (Narver, 1991).

*Bottom-up change efforts* refer to organisational change that is led by the lower or middle levels of employees often by a champion manager, and spread out through the whole company. The *bottom-up change efforts* can be understood as an emergent strategy which means, in the first stage, the firm develops a strategy that aims at creating buyer value and learning how to create value. Secondly, based on this strategy from the first stage, the firm will continually adapt the elements within this value-creating strategy such as structure, staffing, systems and other organisational properties (Narver, 1991).

#### **2.4.2 Brand-supportive dominant logic**

Having examined the literature on the first element in the Yakimova & Beverland (2005) model, market orientation discussion now moves on to examine the second element in the model, brand-supportive dominant logic (brand orientation). A product's superiority is no longer a guarantee of success (King, 1991). In the current business environment, the quality of the product is no longer the only factor which determines the success of a product. A well established brand has a greater possibility of increasing organisational ability as well as an increase in growth and profitability (Urde, 1994). Urde (1999) defines brand orientation as "an approach in which the process of the organisation revolves around the creation, development,

and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantage in the forms of brands”.

A brand can be defined as an unconditional response to customer wants and needs (Urde, 1999). As the core concern of marketing is to fulfil the needs of the customers, it is obvious that a brand-orientated organisation is also an market-orientated organisation (Urde, 1999). Urde (1994) claimed a brand-orientated company has the ability to generate value through its brand. In other words, a brand-orientated company has the ability to add extra value on top of the product itself (Grant, 1991).

Furthermore, while a product can only be described objectively, a brand can provide emotional and symbolic value. A product can be compared with an identical product while a brand constitutes its own unique identity. Lastly, the product can be analysed based on factual reality while the brand can only be interpreted based on the experience. In summary, focusing on brand development can assist organisations to generate extra value from the product (Urde, 1999).

#### **2.4.2.1 The benefits of brand orientation**

Looking at some classic examples from the business industry, Hankinson (2002) claimed, based on empirical data, that in the fundraising industry the brand-orientated fundraising manager is more likely to attract more voluntary income than the low brand-orientated fundraisers. Furthermore, it is claimed the brand-orientated managers are more likely to achieve the organisational objectives than the low brand-orientated ones. Lastly, developing brand orientation throughout the organisation can increase internal communication. In other words, managers who are implementing the brand-orientation strategy are more likely to transform this perception into managerial practice (Hankinson, 2002).

Bridson and Evans (2004) suggest that, in the fashion industry, brand orientation determines the success of the business. For retailers, brand orientation plays a role that can influence suppliers in the choice of distribution outlets for their product. Furthermore, brand orientation assists retailers to achieve a trading format advantage by adding the extra value on the store experience to differentiate themselves from the competitors. Brand orientation can also create a customer service advantage by influencing staff recruitment policy. Hankinson (2001) suggests that brand-orientated companies are more likely to recruit staff who are also focused on developing brand value.

Lastly, brand orientation can assist the retailer to achieve a customer communication advantage. Hankinson (2001) suggests implementation of a brand-orientation strategy can assist organisations to communicate simply and effectively through the continuing communication of core values. Moreover, brand orientation can differentiate the brand by creating visuals among customers and act as a shortcut within the customer decision-making process (Bridson & Evans, 2004).

#### **2.4.2.2 The drivers of brand orientation**

Urde (1994) claimed in order to develop a sustainable competitive advantage, it is important to develop brand orientation. Furthermore, it was claimed that the concept of brand orientation is developed under three main drivers: first, *decreasing product divergence*. As mentioned before, in the current business environment, quality is no longer the only factor that determines the success of the product. Moreover, the risk of imitation from competitors represents another factor that can affect the effectiveness of developing sustainable competitive advantage. On the other hand, imitation risk also highlights the importance of developing brand differentiation (Urde, 1994).

Secondly, the *increasing cost of media* in areas such as advertisements and promotional campaigns has forced firms to focus on certain profitable brands. Rank Hovis McDougall (RHM), a British food-producing company, claimed that factors such as increased volumes of advertising have forced it to focus on the profitable brands. Additionally, focusing on brand orientation assists RHM to maintain long-term competitiveness and organisational growth as well as to increase profitability (Urde, 1994).

Lastly, there is the issue of *integration of markets*. In the past five decades, the growth of the global economy and liberation of the market has led to the development of global brands (Steenkamp, Batra & Alden, 2003). Dawar (2004) claims a strong global brand represents a source of competitive advantage and market power. Furthermore, global brands are seen as a powerful institution which assists companies to develop abilities such as higher prestige, product quality, reliability and innovativeness (Holt, Quelch & Taylor, 2004).

#### **2.4.2.3 The brand orientation model**

Bridson and Evans (2004) claimed that in order to develop brand orientation capability, firms must develop four capabilities. Firstly, the firm should develop *distinctiveness capabilities*. The branding and retail literature suggests that brands have the ability to be *distinctive*, such as differentiation through the symbol of the ownership (de Chernatony & Dall'Olmo, 1998).

Distinctiveness capabilities refer to the organisational identification of critical values and beliefs about the role of brands. Furthermore, this identification includes signs of ownership, guarantee and legal protection (Bridson & Evans, 2004). Fernie et al. (1997) suggest in the fashion industry, firms must develop a distinctive brand in order to achieve market differentiation. Furthermore, Bhatt and Reddy (1998) suggest organisations must manage their distinguishing capability in order to achieve their brand objective.

Secondly, *functionality* refers to the brand's tangible and rationally assessed performance (de Chernatony & Dall'Olmo, 1997). Functional capability also refers to the extent to which brands satisfy the consumer's basic needs (Bridson & Evans, 2004). Brand functionality plays an important role in satisfying customer's rational needs (Bhat & Reddy, 1998). Thirdly, *value adding* capabilities refers to the critical abilities and capabilities that are added on the top of the functional capabilities in order to fulfil the satisfaction of customers utilitarian value and provision of enjoyment (Bridson & Evans, 2004).

Lastly, *symbolic* capabilities refer to the representational characteristics. The terms of symbolic capabilities include self-image, self-expression, psychic value and icon. In summary, in order to enhance competitiveness, a business needs to establish the unique features that assist in differentiating themselves from their competitors. Moreover, organisations should focus on developing brand functionality and add extra value to their brands while developing a unique brand personality.

### **2.4.3 Generative learning**

Having examined the first two elements of the Yakimova & Beverland (2005) model—market orientation and brand orientation—discussion now moves on to the third and final element in the model: generative learning. As the market continues to change, there is no doubt that businesses must be open to adaptation in order to meet demands from the market and maintain or develop a competitive advantage (Osterberg, 2004). From the marketing perspective, the concept of organisational learning represents the foundation of generative learning. The literature defines organisational learning in a number of ways. The definition here is that of a goal orientated social structure, such as an organisation that is able to learn like an organism (Maier, Parnge & von Rosenteil, 2001).

In other words, a learning organisation is like a self-learning based organism which uses experience to achieve its goal. Furthermore, a learning organisation is more likely to generate



new knowledge not from only internal, established knowledge but also from the external environment in order to overcome threats and explore opportunities. In contrast, a non-learning organisation is more likely to apply the knowledge that is already established within the organisation (Osterberg, 2004). In summary, based on the arguments above, focusing on organisational learning can effectively improve the organisational performance (Baker & Sinkula, 1999; Maier et al., 2001; Osterberg, 2004).

#### **2.4.3.1 Generative learning versus adaptive learning**

*Generative learning* refers to the development and use of organisational paradigms (Hinchcliffe, 1999). Barrett (1995) claimed that generative learning emphasises continuous improvement rather than fragmented thinking. Furthermore, generative learning focuses on a willingness to think outside of the box. Based on empirical data, companies that are implementing generative learning concepts are more likely to improve their business performance (Barrett, 1995).

Looking at the American fast food industry, a price war appears to be one of the factors that led to the decline of the overall market. In response to this environment, managers from Taco Bell implemented a generative learning strategy by redefining their organisational goals and focusing on training and recruiting managers who wished to create or deliver extra value to the customers. Furthermore, by recruiting these employees, the role of supervisor has shifted from providing direction to coaching and support. In addition, Taco Bell has shifted its operational objective from manufacturing to assembly to customer service. The result has assisted Taco Bell to drive down the cost of production and generate economies of scale (McGill, Slocum & Lei, 1992).

On the other hand, *adaptive learning* focuses on incremental improvements to existing products or services. Adaptive learners are more likely to *respond* to environmental changes rather than proactively seek the best way to improve the business. Adaptive learners are also more likely to implement discrete, mechanistic actions which are often less likely to focus directly on the core of the problem. Factors such as enforced conformity, risk avoidance, and routine behaviours represent barriers to adaptive learning that prevent companies from strategic redirection and regeneration. As such, adaptive organisations *do* change, but only within a limited range (McGill et al., 1992).

In the case of General Electric (GE), by focusing purely on reducing labour and material costs in production of colour television sets, GE's competitive advantage was slowly lost until

finally it withdrew from the industry (McGill et al., 1992). Furthermore, their adaptive learning also led GE to implement a series of outsourcing actions. As a result, GE has become over-reliant on foreign partners and has lost its core competency. Adaptive learning also led GE to develop a highly centralised and bureaucratic organisational structure which represents a barrier to strategic redirection when facing issues such as changing consumer taste (McGill et al., 1992).

#### **2.4.3.2 Appreciative learning competencies**

As mentioned before, generative learning involves proactively and continuously learning within both external and internal perspectives of the organisation. Barrett (1995) claimed generative learning involves an *appreciative approach*. The appreciative approach refers to the ability to generate radical possibilities beyond the obstacles, limitations and boundaries (Barrett, 1995). The appreciative learning system involves four competencies: *affirmative*, *expansive*, *generative* and *collaborative*.

*Affirmative competency* refers to the capacity to focus on what has been done well, both in the past and at present. An organisation with affirmative learning is more likely to celebrate employees' achievements and directly pay attention to employees' strengths. In other words, these companies focus on their positive experience from the past and ignore any hindrances and breakdowns (Barrett, 1995). *Expansive competency* refers to the challenge for organisational members to expand their sense of what is possible. In other words, expansive competency involves encouraging employees to think outside of the box. In the case of Sony, part of its organisational objective is to lead customers with the most modern technology from its products and services rather than purely to fulfil the customers' expressed needs. *Generative competency* refers to the ability to not only inspire the employees' best performance but also demonstrate to the employee the changes that have been made from their efforts. Furthermore, it involves elaborate and timely feedback to employees, so employees will be able to understand what they are contributing to (Barrett, 1995).

Lastly, *collaborative competence* refers to the power of communication to transform systems. This includes creating an environment where employees can express their ideas and enquire freely. Furthermore, focusing on communication within the organisation is more than likely to generate new ideas. Managers with collaborative competency are more likely to involve employees in the strategic decision process such as strategic redirection and major shifts of organisational policy. Creating a system where employees have access to the strategic decision

making can encourage employees to think creatively, question and go beyond previous conceptions (Barrett, 1995).

In summary, there is no doubt that organisations must engage in the learning process in order to create or maintain competitiveness. It is not enough for organisations to only adapt and respond to changes from the market. Furthermore, managers should move beyond the idea of adapting to challenges and solving problems, instead it is far more important to focus on seeking for potential possibilities (Barrett, 1995).

#### **2.4.3.3 How to achieve generative learning**

Generative learning is the development and use of new knowledge resulting in behaviour change thereby improving business performance. This knowledge is based on information from customers, suppliers, competitors and other stakeholders (Anonymous, 1995). In order to achieve generative learning, organisations must firstly develop a *strong market orientation* (Anonymous, 1995).

Market orientation represents one of the foundations of a learning organisation. By gathering information from the markets, organisations also gather the ability to learn from the markets and apply the information for purposes such as new product development or increases in customer satisfaction. Secondly, in an *entrepreneurial culture*, it is obvious that a learning organisation is more likely to focus on gathering and learning from market information for different purposes. Nevertheless, in order to achieve generative learning, organisations must have an organisational culture that can support the concept of generative learning. Companies with entrepreneurial cultures are more likely to have a high tolerance for risk, will be proactive and receptive to ideas such as innovation, and will actively resist bureaucracy (Anonymous, 1995).

Thirdly, generative learning requires a *new style of leadership*. Any strategic orientation cannot succeed without support from top management. Management must develop the vision of generative learning within the organisation. Managers should encourage people to learn and be effective and frequent communicators. Moreover, managers should set an example to employees by constantly providing information about business trends, competitor analysis and current operations and performance (Anonymous, 1995).

Fourthly, a *flexible organic structure*. As mentioned before, in the case of General Electric, centralised and bureaucratic organisational structures represent two of the major barriers to

achieving generative learning. Many high-performing organisations have adapted an organic structure that is a decentralised structure with ambiguous job responsibilities, frequent communication, cooperation and the sharing of information. Lastly, in a *hybrid approach to planning*, managers must focus on a motivating vision, strategic development and the ability to adapt specialised subsystems (Anonymous, 1995). In summary, companies with generative learning capability are led by managers with strong vision and the willingness to adapt to change.

## **2.5 How to develop brand updating abilities**

Yakimova and Beverland (2005) claimed that in order to develop brand updating abilities, it is essential for managers to focus on two issues. Firstly, the need for *culture change*. It is essential for managers or decision makers to assist in the process of changing the existing organisational culture and overcome any resistance to changes in brand management. Secondly, *communication and codification*: communicating the brand's value to all the stakeholders, not only within but also outside of the company assists the implementation of repositioning strategies. Codifying tacit knowledge throughout the company can enhance the consistency of the brand position in the future. If the manager or the decision maker who is responsible for the repositioning leaves the company, the codification will assist the new manager to continue to manage the brand successfully (Yakimova & Beverland, 2005).

In summary, in order to implement the repositioning strategy successfully, decision makers must ensure they have the ability to continually update their brand. According to Yakimova & Beverland (2005) the business should have a brand-orientated dominant logic and focus on what is happening in the market, and should have a generative learning orientation. Combining these three abilities can allow firms to reflect on past experience constantly, and proactively review the current branding strategy and seek the best way to improve it (Yakimova & Beverland, 2005).

## **2.6 Conclusion of the chapter**

In conclusion, this chapter contains a wide range of existing literatures that are based on Yakimova & Beverland's (2005) model of brand updating ability. Firstly, market orientation refers to the implementation of marketing concept philosophy. Furthermore, market orientation contains three behaviour components: customer orientation, competitor orientation and inter-functional orientation. By achieving the market orientation, it can assist companies to

gain financial, customer, employee and innovation benefits. Market orientation contains two types of approaches: responsive and proactive approaches. Responsive market orientation approaches focus on satisfying the needs and solutions that the customer can be aware of and express. Proactive market orientation approaches focus on satisfying the needs and solutions that are unknown by the customers. In order to enhance market orientation, it requires top-down change efforts and bottom-up change efforts.

Brand-supportive dominant logic is the second element in Yakimova & Beverland's (2005) model. Brand-supportive dominant logic is an approach in which the process of the organisation revolves around the creation, development, and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantage in the forms of brands (Urde, 1999). By achieving the brand orientation, it assists companies to increase its revenue, internal communication, and customer communication advantage. Generative learning is the third element within Yakimova & Beverland's (2005) model. Generative learning emphasis is a style of learning which focuses on continuous improvement rather than fragmented thinking. Furthermore, generative learning focuses on a willingness to think outside of the box (Barrett, 1995). Moreover, generative learning focuses on proactively and continuously learning within both external and internal perspectives of the organisation. In order to achieve generative learning, it requires organisations to firstly develop a strong market orientation culture, an entrepreneurial culture, a new style of leadership and flexible organic structure. The next chapter will discuss the methodology of this research; the chapter will cover a number of areas such as justification of research methodology, procedure for collecting primary and secondary data and limitation of this research.

# ***Chapter 3: Research Methodology***

## **3.1 Introduction of the chapter**

This chapter describes the methodology for this research; it covers the unit of analysis and the justification for choice of methodology for this research. It covers the data sources and procedures for collecting data, the interview guide and issues of validity and reliability. Lastly it covers the limitations of the research methodology.

## **3.2 Unit of analysis**

The unit of analysis for this research is a single case study (Yin, 2003). Defining the unit of analysis (case) is related to the initial research question and it is the most important stage of design of the research (Yin, 2003). As mentioned before from page 9 in chapter 1, the aim of this research is to examine if Yakimova & Beverland's (2005) model of *brand updating ability* explains the success of McDonald's repositioning. Therefore, the unit of analysis is the case of McDonald's repositioning.

## **3.3 Justification for choice of methodology**

In order to examine Yakimova & Beverland's (2005) model of brand updating ability based on the repositioning strategy which has been adopted by McDonald's, a *single case study* research methodology was applied in this project. Case study research methodology can be understood as an empirical research strategy which is both a logic of design and a set of data collection techniques (Yin, 2003). Furthermore, the case study methodology is an appropriate research strategy to investigate a contemporary/historical issue, such as the repositioning of McDonald's, within its real life context (Yin, 2003). By applying the case study research methodology, it gains a number of benefits such as examining the presumed links in real life interventions that are too complex for a survey or experimental method to track (Yin, 2003). Case study research methodology is also appropriate for this study, as the repositioning of McDonald's New Zealand is a marketing event which cannot be controlled by the researcher, and the sources of data about this event are multiple.

### 3.4 Data sources

The data for this research comprises a wide variety of secondary sources and a single primary source. Business magazines and news articles examining the repositioning of McDonald's form the secondary sources of data. The transcript of an interview with a member of senior management at McDonald's New Zealand forms the primary source of data (Eisenhardt, 1989; Yin, 2003).

#### 3.4.1 Secondary data

The secondary data draws from a number of sources such as business magazines, news articles and company reports as the table below indicates. The table below presents a numbered list of the secondary data sources used. When any one of these sources forms the basis of a research finding in Chapter 4, that source is cited using the system of numbering presented here in Table 1.

**Table 1: Secondary data sources**

1. Alarcon, C. (2004). Maccas targets lunchtime crowd. *B&T Weekly*, 54, p. 6.
2. Alarcon, C. (2007). McDonald's promotes tick of approval. *B&T Weekly*, p. 6.
3. Anonymous. (2005a). Global brand, local flavour. *Business Franchise*, pp. 130-131.
4. Anonymous. (2005b). McDonald's sets out CSR promise. *Marketing*, p. 3.
5. Anonymous. (2005c). Ronald McDonald sells better lifestyle; let's see who buys it. *Nation's Restaurant News*, 39, p. 18.
6. Anonymous. (2006). McDonald's marketing efforts are working out. *PRweek*, 9, p. 8.
7. Anonymous. (2007). It's all McChange at McDonald's: McDonald's is making changes to reflect modern tastes and working practices but are these enough to stem criticisms of the firm as an agent of globalization? *Strategic Direction*, 23, pp. 5-8.
8. Bold, B. (2006). TBWA\London wins McDonald's health brief. *Campaign (UK)*, p. 1.
9. Bowery, J. (2006). McDonald's gets back to basics. *Marketing*, p. 16.
10. Bowery, J. (2007). McDonald's to restrict push to healthy items. *Marketing*, p. 5.
11. Dando, P. (2004). Healthier fast-food a reality. *Advertising Age*, 75, p. S7.

12. Gibson, R. (2007). McDonald's is working on Healthier Happy Meal. *Wall Street Journal*, p. B3D.
13. Armdorfer, James B. (2005). McDonald's loving its new model. *Televisionweek*, 24, p. 17.
14. Kleinman, M. (2003). Burger chains to lure back diners. *Marketing*, p. 4.
15. Lee, E. (2005). McDonald's labels to tell all. *The Atlanta Journal-Constitution*, p. A1.
16. Lves, N. (2004). For McDonald's, the "I'm lovin' it" phrase of its new campaign has crossed over into the mainstream. *New York Times*.
17. Lves, N. (2005). McDonald's says it's time to turn off the TV. Now stand up and touch your toes. Repeat. *New York Times*.
18. McDonald's New Zealand (2008a). *Deli Choices*, from <http://www.mcdonalds.co.nz/ourFood/deliChoices.asp>
19. McDonald's New Zealand (2008b). HOT OFF THE GRILL: McDonald's New Zealand.
20. McDonald's New Zealand (2008c). *Ingredients & Allergen Information Booklet*, from <http://www.mcdonalds.co.nz/PDFs/ingredients-june-2008.pdf>
21. McDonald's New Zealand (2008d). *Lighter Choices*, from <http://www.mcdonalds.co.nz/ourFood/lightchoices.asp>
22. McDonald's New Zealand (2008e). *McDonald's seared chicken provides lower fat choices*, from <http://news.mcdonalds.co.nz/node/65>
23. McDonald's New Zealand (2008f). A Snapshot of McDonald's New Zealand. New Zealand: McDonald's New Zealand.
24. McDonald's (2007). *Government's response "pragmatic and commonsense" says McDonald's*, from <http://news.mcdonalds.co.nz/node/56>
25. McDonald's (2008). *NutritionCalculator*, from <http://www.mcdonalds.co.nz/calculator/default.asp>
26. Medcalf, G. (2005, August). Marketing magazine Marketing awards—eat smart, be active. *Marketing*, pp. 34-35.



27. Murphy, J. (2007). Northern Asia: McDonald's calls for kids. *Media: Asia's Media & Marketing Newspaper*, p. 74.
28. Powell, G. (2005). Salad, fries and exercise. *Marketing Magazine*, 110, p. 6.
29. Solley, S. (2005). McDonald's unveils nutrition-level packs. *Marketing*, p. 8.
30. Sweney, M. (2004). McDonald's health drives to exploit Olympics link. *Marketing*, p. 5.
31. Tylee, J. (2003). Partners lands McDonald's child task. *Campaign (UK)*, p. 5.
32. Warner, M., & Barrionuevo, A. (2005). McDonald's To Add Facts On Nutrition to Packaging. *New York Times*, p. C1.
33. White, A. (2005). McDonald's responds to nutritional changes. *Media*, p. 12.
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### **3.4.2 Primary data**

The primary data for this research is based on a single interview with a senior member of the marketing team at McDonald's New Zealand. In this research, the primary data is cited as direct quotes based on the transcript of the interview.

### **3.5 Procedure for collecting secondary data**

This research's secondary data is drawn from a number of AUT online databases such as Business Source Complete, Proquest 5000 International, and Newstext. The research used search terms such as "McDonald's", "health oriented" and "nutrition" to search for the secondary data. The majority of these secondary sources represent relatively neutral sources of information on the repositioning of McDonald's, as these sources were most often written by parties who were independent of the McDonald's corporation.

### **3.6 Procedure for collecting primary data**

This research's primary data is drawn from a single interview that was conducted with a senior member of the marketing team at McDonald's New Zealand. A *semi-structured* interview and interview guide were utilized for collecting the primary data. The researcher let the participant talk freely and as much as they wished without any interruption. Prompts such as "*What you just said is quite interesting, can you please tell me more about this?*" were used to encourage

the participant to talk more about an issue. A *thematic analysis* technique has been applied when analysing the data. Thematic analysis technique is one the most commonly used techniques when analysing qualitative data; by coding the data into themes, it can assist the researcher to enhance the clarity of findings (Boyatzis, 1998). By drawing the themes out from the primary data, it can help not only to rephrase the data into a more logical and understandable manner but also help the findings of the project become more plausible for readers.

Furthermore, when analysing the data, this research applied a combination of both *inductive* and *deductive* approaches to analyse it. In other words, the researcher firstly looked closely into the data and drew the themes from it. After the themes had been drawn from the data, the researcher evaluated and compared the themes with the elements from the Yakimova & Beverland (2005) model.

### **3.7 Interview guide**

The interview guide for this research (Appendix 4) contains eight questions covering two main sections. The interview guide commences with general questions seeking a background on the repositioning strategy that was adopted by McDonald's New Zealand. This is followed by a section of research questions concerning examining the relationship between McDonald's repositioning strategy and the elements from Yakimova & Beverland (2005) *brand updating* model (market orientation, brand-supportive dominant logic and generative learning).

#### **General questions**

1. Can you please tell me what the motivators were for McDonald's to undertake this repositioning program? In other words, why was McDonald's interested in repositioning itself toward the health orientation?
2. What has McDonald's New Zealand done for this repositioning campaign?
3. Are there any barriers when implementing this project? And how did you overcome these barriers?
4. Can you please tell me about the current result of this project? Do you have any follow-up program? How do you monitor the progress of this project?

## Research questions

1. Can you please talk about how McDonald's focused on **market orientation**, and how does it relate to this repositioning project?
2. In terms of **learning** from the markets, what has McDonald's done to focus on this repositioning project?
3. How does McDonald's manage its **branding** strategy? How does this relate to this repositioning project?
4. Can you please tell me to what extent the repositioning of McDonald's New Zealand was part of a global campaign? Which aspects of the repositioning were McDonald's New Zealand initiatives?

## 3.8 Validity and reliability

Research design can directly influence the overall results of the research. Therefore, in order to ensure the results of the research are trustworthy and credible, *credibility*, *transferability*, *dependability* and *confirmability* represent four criteria for assessing the quality of business research design (Bryman & Bell, 2007). *Credibility* is concerned with how credible the researcher's interpretation of findings is. Furthermore it concerns whether the findings from the research can be understood and accepted by the members of society (Bryman & Bell, 2007). In this research, the aim was to examine Yakimova & Beverland's model based on the case of McDonald's repositioning. At the conclusion of this research, managerial and academic implications are presented.

Under the ideology of *credibility*, there are two approaches that can be used to assess the quality of the research. Firstly, the respondent validation technique—a process whereby a researcher provides an interaction with the respondents regarding the interpretation of events (Bryman & Bell, 2007). Respondent validation is extremely helpful to assist the qualitative researcher to assess the quality of the research because by setting up the interpretation of events with the respondents, it can ensure there is a good correspondence between the findings of the research, perspectives and experience from the respondents (Bryman & Bell, 2007). In this research, after collecting the primary data, the researcher provided the respondent with a copy of the transcript through email. Furthermore, at the end of research, the researcher provided a final presentation of this research to the respondent.

Triangulation is a second criteria for assessing the credibility of the research. Triangulation entails using more than one method or source of data (Bryman & Bell, 2007). In this research, the findings were generated from numbers of sources including the interview transcript, articles from journals, magazines and news press. As a result, this can increase the overall quality of this research. *Transferability* concerns whether or not findings hold in some other context (Bryman & Bell, 2007). In other words, transferability focuses on whether the findings of the research are replicable or not. In this research, both the primary and secondary findings were collected between June 2008 and November 2008. Therefore it is less likely to replicate the findings of this research because it is impossible to ‘freeze’ a social setting. Nevertheless, there is a possibility that at the end of this research, the theoretical insights may be applicable to another context. For example, the conclusions of this research may be transferred to other cases of repositioning. Furthermore, in this research, the researcher provides a thick description which contains a theoretical model based on the findings of this research for possible transferability of findings to other contexts (Bryman & Bell, 2007).

*Dependability* focuses on whether other researchers can audit the ‘chain of evidence’ or not (Bryman & Bell, 2007). In order to increase the trustworthiness of this research, the primary findings were drawn from the interview transcript which is presented in Appendix 5. Moreover, the primary findings will be cited as direct quotes from the interview transcript. *Confirmability* is concerned with avoiding the personal biases from the researcher (Bryman & Bell, 2007). In the qualitative research, it is less likely to generate the findings without any personal reflection. Therefore, this research provides full details of the sources of both primary and secondary information for the purpose of auditing the conformability of this research.

### **3.9 Limitations**

This research methodology contains a number of limitations. Firstly, the research findings are mainly drawn from secondary data. The secondary data is not specifically gathered for this research; therefore it can directly affect the richness of the data. Moreover, the secondary data can also contain potential risks such as personal bias from the author. Although the primary data was collected directly from the personnel who work for McDonald’s New Zealand, it was drawn from only one interview. Moreover, the interview only lasted for one hour which can only generate a limited amount of data. As a result, this can directly affect the credibility of the data.

### **3.10 Conclusion of the chapter**

This chapter covers the components of the research methodology, hence the aim of this research is to examine whether Yakimova & Beverland's (2005) model explains the success of McDonald's repositioning or not. This research applied *single case study* research methodology. The secondary data was collected based on a number of business magazines, news articles and company reports. The primary data was collected from the marketing team of McDonald's New Zealand. Moreover, thematic analysis was applied when analysing the data. This research contains multiple sources of evidence and professional opinions which address the issue of construct validity. The limitations of this research are the reliance on secondary data and the lack of in-depth primary data. The next chapter will present the main findings of this research; furthermore it will cover areas such as a summary of the case, and the findings based on primary and secondary sources.

# ***Chapter 4: Findings***

## **4.1 Introduction of the chapter**

This chapter presents the findings generated from both primary and secondary data. Throughout the text, the secondary data sources are cited as numbers within a bracket at the end of each sentence or paragraph. The number within the bracket refers to items from the table of secondary data sources listed in table 1 from chapter 3. The structure of this chapter covers firstly a summary of the case which briefly introduces the case of McDonald's and its recent repositioning activities. Then it covers the three main aspects of the Yakimova & Beverland (2005) model which are market orientation, brand-supportive dominant logic and generative learning. Under these three headings are sub-headings which represent the themes identified in the data. Under each sub-heading, it contains a discussion about the activities which have been implemented from McDonald's and Yakimova & Beverland's (2005) theoretical model. Lastly, at the end of each heading it will provide a conclusion based on the findings.

## **4.2 Summary of the case**

In order to reflect the changing needs of consumers today, and the increasing concerns about obesity and other health problems, especially in North America, McDonald's has changed many of its business practices (Powell, 2005). Firstly, unlike the manufacturers of packaged food sold in North America's grocery stores, restaurants like McDonald's are not required to display the nutritional information or ingredients on their packaging. In 2005, McDonald's announced that from 2006, it would add nutritional facts to the packaging of every individual item on its menu (31).

McDonald's also introduced the new strap line "I'm lovin' it" as part of its promotional campaign (Tylee, 2003). In addition, in order to counter the negative publicity associated with being a provider of unhealthy food, McDonald's focused on promoting a 'balanced lifestyle' and supporting both local and national sports, such as athletic programmes. Finally, McDonald's made a series of changes to its menu, such as the introduction of a new healthy Happy Meal to the global markets (Dando, 2004; Wire, 2003). The following sections draw findings based on the activities which were implemented by McDonald's over the past five

years, and the interview which was conducted with the marketing personnel from McDonald's New Zealand.

### **4.3 Market orientation**

Market orientation is one of the elements in Yakimova & Beverland's (2005) theoretical model of brand updating ability. Slater and Narver (1995) claim market orientation refers to the organisational culture that focuses on three behavioural components: customer orientation, competitors' orientation and inter-functional orientation. Recently, due to increasing concerns about obesity and other health problems, such as diabetes, more customers are now switching their eating style toward health orientation (Bold, 2006; Warner & Barrionuevo, 2005). Furthermore, more parents are now becoming more vigilant about what their children are eating (Gibson, 2007).

#### **4.3.1 Less fat, sugar and salt**

In order to meet customer demand in the market place, McDonald's USA made a series of changes. Firstly, in 2003 McDonald's introduced a healthy menu with reduced levels of salt, sugar, and fat in the ingredients of its product (Kleinman, 2003). In 2006, McDonald's New Zealand reduced 727,000 kilograms of saturated fat from the supply chain and switched to trans-fat free vegetable oil for its cooking oil. Secondly, in 2007 McDonald's New Zealand implemented its sugar-reduction programme by introducing Sprite Zero to customers and significantly reduced the sugar in its hamburger bun to remove more than 300,000 kilograms of sugar from the supply chain (23). Finally, in the global market, McDonald's UK cut salt in its french fries by 24% and by 30% in its Chicken McNuggets, and in Ireland, McDonald's has cut up to 50% of the salt from its french fries (Bowery, 2006).

#### **4.3.2 New healthy menu**

Apart from reducing fat, salt and sugar, McDonald's has also introduced a new series of healthy menus, such as removing the super-size option and introducing gourmet salads in order to reflect market demand (6; 21). In New Zealand, McDonald's introduced deli-style rolls and salads to its new Deli Choices menu in 2005 (18), and in 2008 McDonald's New Zealand offered new low-fat, seared-chicken burgers to its customers (22). In the global market McDonald's also introduced a new healthy menu, offering its customers vegetable nuggets in Sweden; three different salads, as well as sandwiches on whole-wheat buns and yoghurt parfait

in Canada; and in France McDonald's offered a vegetable salad with a choice of bottled water or orange juice (33).

#### **4.3.3 New 'Happy Meal'**

Parents and children are considered one of the most important customer groups for McDonald's. In its 2007 Annual Report, McDonald's USA states, "One of McDonald's most important organisational goals is to be loved by kids and also approved by mum..." (12). Under the increasing pressure from anti-obesity advocates, McDonald's New Zealand has improved its Happy Meal to make it a more healthy option. Parents today are increasingly concerned about health problems such as obesity and diabetes in their children. In order to meet this changing customer taste, McDonald's New Zealand carried out a series of studies on the preferences of both kids and parents in order to develop the new health-orientated Happy Meal (11).

As with the adults' menu, McDonald's New Zealand also focused on reducing fat, sugar and salt from the Happy Meal. Moreover, McDonald's New Zealand also realised the importance of appealing to parents who want their children to have healthier food. Under this scenario, McDonald's New Zealand offered the option of switching the traditional french fries and soft drinks for fruit bags and fruit smoothies (10). In 2007, after conducting a series of studies on parents' and children's tastes, McDonald's New Zealand introduced the 'Pasta Zoo' as part of new Happy Meal. The pasta, filled with cheese and roast vegetables, contains less than five grams of saturated fat and has no artificial colours (19).

#### **4.3.4 Nutritional facts**

As mentioned in the case summary, unlike food suppliers such as Tegal or Fonterra, New Zealand restaurants such as McDonald's or Burger King do not need to display nutritional information on their product packaging. Nevertheless, after facing at least three lawsuits around obesity and nutrition, and growing customer demand for nutritional information in North America (15), McDonald's New Zealand responded to this market signal by adding nutritional information to its packaging (31).

McDonald's USA has been providing nutritional information to its customers for more than two decades. By the end of 2005, McDonald's USA had already listed the nutritional facts on the back of tray liners, in brochures and online (31). However, under the pressure due to increasing concerns about health problems, in early 2006 McDonald's redesigned and released



its new packaging, which contains key nutritional information such as calories, protein, fat and government-recommended daily intakes. Currently McDonald's is the only fast-food restaurant in New Zealand to list nutritional information on its packaging. James A. Skinner, McDonald's USA Chief Executive says that as the concern about health issues continues to grow, the new labelling sets a precedent for the company's competitors to follow (31). Cathy Kapica, Global Director of Nutrition at McDonald's USA, says, "*The new packaging makes it easier to understand and to read our nutritional information.*" (31).

In New Zealand, McDonald's has provided clear and easy-to-understand nutritional facts on all of its packaging. Its official website has a nutritional calculator that contains all the nutritional information and ingredients (<http://www.mcdonalds.co.nz/>). Moreover, it also has an ingredient and allergen information booklet with all the ingredient information, even down to the amount of caffeine in its Diet Coke (20; 25).

#### **4.3.5 National/local government health cooperation programme**

As customers' tastes move toward more health-orientated options, McDonald's is making efforts to cooperate with both local and national government health programmes. In 2007, McDonald's Australia launched a campaign that promotes nine health-conscious meals that have earned the iconic Heart Foundation Tick (2). Moreover, McDonald's Australia employed the slogan "You are what you eat" to emphasise the health-conscious meal, which has the approval of the Australian Government Health Agency. Moreover, based on McDonald's 2003 social responsibility report, the company is now collaborating with the World Health Organisation and the U.S. Department of Health and Human Services to help educate consumers about the importance of health and fitness and the role of good nutrition (33).

In New Zealand, McDonald's represents a classic example of self-regulation; in 2007 it cooperated with the Ministry of Health in areas such as the Healthy Eating Healthy Action (HEHA) programme which focuses on improving nutrition, increasing physical activity and achieving healthy weight for all New Zealanders (35), and the five-point plan to improve food (24). Mark Hawthorne, McDonald's New Zealand Country Manager, says McDonald's is looking forward to working with the new Regional District Health Board food industry as the response to the government's health programme (24).

#### 4.3.6 Signals from the market

The information from the interview was conducted with a senior marketing manager at McDonald's New Zealand, it demonstrates that market orientation is one of the fundamental motivators for McDonald's to conduct the 'journey of change'. For example:

"It wasn't that McDonald's consciously said 'Right, we need to reposition ourselves', it was more that our customers were saying to us: 'you aren't providing us the stuff that we need'; politicians were saying to us: 'you aren't the sort of company that we want to have operating and be successful'..."

"In the early 2000s, there was a lot of media scrutiny around things like *Supersize Me* and *Fast Food Nation*. But also because of the increasing obesity rates worldwide. And also increasing scrutiny..."

"It wasn't because we just suddenly decided that as a company we had to suddenly reposition ourselves and become a healthy company, it was a whole number of things, but I'd say primarily it was customers. That was our main reason for beginning what we would call our sort of 'journey of change'..."

The quotations above indicate the customer represents one of the major factors which motivated the changes by McDonald's New Zealand. Furthermore, the increasing concerns of health problems such as obesity and the scrutiny from the government represent other factors which motivated McDonald's New Zealand to implement the 'journey of change'.

Apart from customers, external factors such as the increasing concerns from the government also represent another motivation for McDonald's New Zealand to change. For example:

"New Zealand led the world in a lot of this area because we had a government in the early 2000s that was very encouraging in terms of they said 'you really need to change'..."

"In New Zealand, there are very active food and obesity/nutrition sort of activists, I guess is the word. And a lot of them are funded by the government so we have constantly come across barriers from them because ideally, in their perfect world, McDonald's would actually just disappear..."

"New Zealand's had a very left-wing government for the last nine years whereas many other markets haven't, so we've had to move faster than many others and we've had to be different, we've had to be much more proactive. New Zealand's had inquiries, public inquiries into obesity and type 2 diabetes, whereas other countries have only really had those in the last year..."

The quotations above indicate that in New Zealand, the pressures from the government represented one of the major factors which led to the changes at McDonald's. In terms of generating knowledge from competitors, based on the primary data, it is likely that McDonald's New Zealand has done little of effort. For example:

“The difference between McDonald’s and, say, our competitors, is that we have really made some substantial changes to our menu. You walk into a McDonald’s today and the décor, the menu, and the amount of saturated fat in food is considerably different to what it was 10 years ago. Whereas you might walk into a BK or a Wendy’s and the only thing that’s really different is that they’ve got some salads...”

The quotation above indicates McDonald’s has differentiated itself from its competitors by conducting significant changes such as removing saturated fat from its food supply. This demonstrates it is likely that McDonald’s has conducted the changes with limited consideration about its competitors.

#### **4.3.7 Conclusion on market orientation**

In conclusion, the activities implemented by McDonald’s show evidence of the first element (market orientation) from Yakimova & Beverland’s (2005) model. Yakimova & Beverland (2005) claim that market orientated organisations focus on generating knowledge among customers and competitors. In order to respond to customers’ increasing concerns about health problems such as obesity and diabetes, McDonald’s has made a series of changes, including altering its existing menu by adding new items like salads or low-fat milkshakes. What is more, McDonald’s has dramatically decreased the level of salt, sugar and fat in its menu. Furthermore, the primary data demonstrates that McDonald’s New Zealand has conducted its ‘journey of change’ based on demand from its customers. In other words, the increasing concern for obesity from the customer level and growing pressure from New Zealand has motivated McDonald’s New Zealand to undertake those changes.

Nevertheless, compared with the Yakimova & Beverland (2005) model, it is likely that McDonald’s has made a very limited effort of being competitor orientated. In the case of adding nutritional facts to its packaging, McDonald’s is currently the first fast-food industry player to have added such information to its packaging. McDonald’s has also added its ingredient and allergen information booklet to its website to satisfy customer concerns. This demonstrates that McDonald’s is more likely to focus on generating knowledge about its customers rather than its competitors. Furthermore, based on the primary data, it demonstrates McDonald’s New Zealand has made substantial changes with limited amount of consideration for its competitors. Lastly, as customers become more health orientated, McDonald’s has also cooperated with both national and local government on health programmes such as HEHA (Healthy Eating Healthy Action).

## **4.4 Brand-supportive dominant logic**

Brand-supportive dominant logic is the second component of the Yakimova & Beverland (2005) model. In the current business environment, product quality is no longer the only factor that determines the success of a product. Urde (1999) and Grant (1991) claim that a firm with brand-supportive dominant logic (a brand orientated firm) has the ability to achieve competitive advantage by generating value through its brand and adding extra value on top of the product itself. In 2003, McDonald's made a series of changes refocusing on its branding strategy and launched a new promotional campaign in order to overcome negative publicity and maximise the strength of its brand (13). The following sections will look at each of these.

### **4.4.1 Brand journalism approach**

Prior to 2003, McDonald's suffered several branding issues, such as a lack of focus, being out of touch with consumer culture, bureaucracy and inefficiency. In January 2003, McDonald's new management team introduced its new brand journalism strategy. Brand journalism involves telling many facets of a story to diverse groups of people (30). In the case of McDonald's, brand journalism covered a number of areas such as McDonald's most recognised slogan "I'm lovin' it". This slogan was primarily targeted at young adults and mums. McDonald's applied its "I'm lovin' it" slogan through a brand journalism approach. In its ad campaign, McDonald's promotes itself by combining what customers love and how McDonald's fits into their life (13). "I'm lovin' it" lets McDonald's link to everything from soccer to healthy lifestyles and exercise.

McDonald's has conducted a number of marketing activities to increase the strength of its brand. For example, one of its television commercials aims to link McDonald's with fitness. In this commercial, a dog named Max brings the newspaper to the end of his owner's driveway and the owner is happy for an excuse to use the pedometer that came with his new Go Active Happy Meal (16). In addition, apart from traditional television advertising, McDonald's also promoted its new brand strategy on radio; Larry Light, McDonald's Executive Vice President and Global Chief of Marketing said, *"Imagine hearing those five notes filling a basketball stadium every time a three-point shot is made!"* (16).

In order to reflect its customers' health-orientated tastes, McDonald's also focused on promoting a balanced lifestyle in its global markets. In 2005, McDonald's America released a marketing campaign with the slogan "It's what I eat and what I do. I'm lovin' it." Rather than showing viewers its products and people eating food in its restaurants, McDonald's is

encouraging its customers to spend less time watching television and more time exercising (17). Similarly, McDonald's UK spent more than £7 million to promote its 'choice and balanced lifestyle'. Denis Hennequin, McDonald's European President said social responsibility is the key to building trust in the brand. Moreover, McDonald's is establishing relationships with third parties such as paediatricians and nutritionists to assist the 'balanced lifestyle' brand strategy (4). In 2005, McDonald's also launched its marketing campaign 'Eat Smart, Be Active' in New Zealand which focuses on the balance of food intake and energy expenditure. At the same time, McDonald's aligned with the Government's HEHA (Healthy Eating Healthy Action) strategy to change consumer perceptions. As a result, McDonald's increased its revenue by 31% in 12 months (26).

#### **4.4.2 Sponsor of local and national athletics programmes**

McDonald's USA and its global franchisees have sponsored national and local athletics programmes since 1976. In order to overcome negative publicity around health problem such as obesity and diabetes, and increase its brand strength, McDonald's has sponsored both national and local athletics programmes across many countries. In 2004, McDonald's USA launched the Healthy Active Lifestyle campaign, which is designed to inspire customers to improve their overall well-being by communicating the importance of energy balance (30). In 2007, McDonald's Shanghai launched a marketing campaign called 'Champion Kids' as part of its Olympic sponsorship. The 'Champion Kid' campaign was designed to appeal to kids as well as their parents and involved 300 children going through three physical and mind challenges. As a result, McDonald's selected 100 children to represent China as part of McDonald's Olympic Hospitality Programme in Beijing (27).

Based on the information from McDonald's 2003 Social Responsibility Report, in that year McDonald's gave approximately \$31.5 million in sponsorship to European Football Associations for the 'Grassroots to Glory' project that aims to recruit, train and certify over 10,000 football coaches. Moreover, McDonald's Sweden sponsored the 2003 Gothia World Cup Soccer Tournament and also sponsored nationwide Happy Mile events to increase local sport opportunities for children with disabilities (34). In New Zealand, McDonald's is also a major sponsor of various national and local athletics programmes such as junior soccer. McDonald's New Zealand has also been a sponsor of National Young Leaders Day with the AUT scholarship programme for more than 15 years (19).

#### 4.4.3 Journey of change

Based on the primary data, it indicates the pressures from the customer and government represent two of the most significant factors which led to the changes at McDonald's New Zealand. For example:

“One of the big problems with McDonald's was that people just saw this huge big ‘M’ and they didn't see what was behind it. And everybody thinks that there's this weird science going on behind the food...”

“New Zealand has actually been very ... you know, New Zealand's led the world in a lot of this area because we had a government in the early 2000s that was very encouraging in terms of they said ‘you really need to change’.”

The quotation above indicates McDonald's New Zealand has faced problems such as barriers of misconception and lack of understanding of McDonald's New Zealand from the customer level. More importantly, in the early 2000s, the New Zealand government applied pressure on McDonald's New Zealand encouraging them to re-examine their menu items. As a result, McDonald's New Zealand has conducted its ‘journey of change’ through three stages. For example:

“So there's stuff that we did at the product level, that was prong one, and prong two was the fact that we started to actually talk about the stuff that we already did that people either had misconceptions about, or they just didn't know what we were doing. And the third prong was, I guess, to admit that we, or to set some timeframes which were realistic...”

The quotation above indicates McDonald's New Zealand has implemented its branding strategy through three stage. In stage one, McDonald's has made sustainable changes from the operational perspective, this involved changes in its menu. For example:

“You know, the oil that we're using, for example, is a sunflower and canola blend and it removed ... just changing the oil we removed 727,000 kg of saturated fat from our food supply...”

“We were the first country in the world to do Happy Meal Choice, which was one of our first things. We introduced healthier choices at breakfast. We were the first company, QSR—so QSR's Quick Service Restaurant ... voluntary labelling and nutritional information on our packaging...”

The quotation above indicates in stage one, McDonald's New Zealand made significant changes in areas such as removing saturated fat from its food supply, introducing Happy Meal Choice, and voluntary labelling and nutritional information on the packages. In stage two, McDonald's New Zealand has done major changes in areas such as communicating the changes with its customers. For example:

“Like that 80% of our restaurants in New Zealand are owned by New Zealanders; that we spend \$100m dollars with New Zealand suppliers every year; that we use 95% of New Zealand produce. Those are some of the things that we really started to talk about...”

The quotation above indicates in stage two, McDonald’s New Zealand focused on informing the customers about the changes which have been made from the operational level. Lastly, in the final stage, McDonald’s focused on achieving its target within the timeframe. For example:

“We’ve set ourselves sort of a 3-5 year goal of saying, you know, in X amount of time, this is where we want our brand to be positioned in the New Zealand market.”

The quotation above indicates in stage three McDonald’s New Zealand set up its timeframe to strengthen its brand competitiveness. As a result, McDonald’s New Zealand has achieved great success in terms of brand competitiveness. For example:

“In 2008, all our results have gone up, increased, some of them quite substantially. So what we’re seeing now is the result of all the hard work. That’s been five years of hard work to get to where we are now, so our brand scores are definitely improving so that’s obviously a measure that we look at.”

#### **4.4.4 Conclusion on brand-supportive dominant logic**

In summary, the brand strategy implemented by McDonald’s demonstrates only a reasonable level of linkage to the Yakimova & Beverland (2005) model. Yakimova & Beverland (2005) claim that a firm with brand-supportive dominant logic has a unique organisational culture and structures which focus on the brands and key components of a brand’s personality and position. In other words, a firm with brand-supportive dominant logic does not see brand repositioning as a difficult task because the firm has already had the experience and expertise (Yakimova & Beverland, 2005). In the case of McDonald’s, before the new management team came on board in 2003, McDonald’s was suffering from problems such as negative publicity, a lack of focus, bureaucracy and inefficiency. However, after the new management was put in place, McDonald’s immediately reviewed its existing branding strategy and made major changes in areas such as promoting a balanced lifestyle.

According to the Yakimova & Beverland (2005) model, a firm with brand-supportive dominant logic will most likely constantly and continually review its brand, and seek the best way to maximise its performance. However, in the case of McDonald’s the marketing activities associated with brand orientation were implemented primarily because of negative publicity. In other words, McDonald’s was less likely to conduct brand improvement as an ongoing process. Furthermore, based on the primary data, in the early 2000s, due to pressures from both

customers and government, McDonald's New Zealand had no choice but modify what it was offering.

## **4.5 Generative learning**

Generative learning is the third component of the Yakimova & Beverland (2005) model. A generative learning company is more likely to proactively seek alternatives to improve its performance. Furthermore, it is more likely to generate new knowledge from outside of the organisation rather than from internal, existing knowledge. A generative learning company is also more likely to learn from areas such as external stakeholders and customers. Innovation is one of the keys to generative learning. When McDonald's launched its new marketing campaign in 2003, one of the aims was to consistently look for new opportunities, and ways to connect to its customers. Unlike other players in the fast-food industry, McDonald's has been proactively seeking the best way to improve its performance such as by adding nutritional facts to its packaging and introducing a healthy menu (13). Moreover, McDonald's has also been proactively recruiting innovative people to develop its brand locally (3).

In 2003, after the new management team came on board, McDonald's introduced the ideology of 'Freedom within a Framework' to all its franchisees. This concept allows all the McDonald's franchisees to express and implement their ideas, such as making the outlet and product more culturally accessible (13). McDonald's 2003 Social Responsibility Report states that one of the company's organisational goals is to ensure all employees, operators, and suppliers reflect and represent cultural diversity (4; 34). In New Zealand, McDonald's has proactively and continually sought the best way to improve its performance. In 2007, McDonald's New Zealand decided to improve its working environment by setting up its minimum pay rates based on local markets (19). What's more, one of the McDonald's franchisees in New Plymouth has found innovative ways to convert waste vegetable cooking oil into diesel for vehicle use (19).

### **4.5.1 Learning from the market**

Based on the primary data, it appears the customer is a primary source for McDonald's New Zealand to generate the knowledge. In addition, McDonald's New Zealand has been a proactive learner from other sources. For example:

"We measure our brand results, we've done that every month since early 2000, and the whole of McDonald's globally does that so we can track scores like, you know, how people feel about our food, how people feel about the company, you know, that sort of thing. Food quality scores and things like that."



The quotation above indicates McDonald's New Zealand is constantly monitoring what is currently happening from the customer level since 2000. Issues such as how customers perceive the products and brand have been constantly monitored in order to not only maintain but also strengthen the competitiveness. Furthermore, McDonald's is also monitoring what its competitors is doing. For example:

“We also have a very close relationship with our advertising agency, DPB. Between us, I think, as a strategic unit, we do a lot in terms of looking at what our competitors are doing, looking at what other trends there are and really understanding the environment that we work in.”

The quotation above indicates that McDonald's New Zealand monitors the movement from its competitors. Nevertheless, McDonald's has done little in terms of being competitor orientated. In other words, McDonald's New Zealand is more likely to generate knowledge from its customers rather than its competitors. Moreover, McDonald's New Zealand focuses on investigating any potential opportunity from the marketplace.

#### **4.5.2 Conclusion on generative learning**

In conclusion, looking at McDonald's learning ability demonstrates a significant link to the Yakimova & Beverland (2005) brand updating model. Yakimova & Beverland (2005) claims generative learning involves constantly questioning the brand's values and proactively seeking solutions to improve the brand's value. McDonald's New Zealand has been a proactive and innovative learner in a number of areas. Firstly, it has been proactively generating knowledge amongst its customers, suppliers and employees. Based on the primary data, McDonald's New Zealand appears to be constantly learning from customers and markets. Nevertheless, McDonald's New Zealand has done very little in terms of being competitor orientated; in the case of adding nutritional information to its packaging, McDonald's has demonstrated its uniqueness compared to its competitors. Moreover, allowing its franchisees to operate differently in different countries has assisted McDonald's to develop its brand value and increase its performance.

#### **4.6 Conclusion of the chapter**

This chapter has discussed the relationship between the repositioning activities which were implemented by McDonald's since 2003 and Yakimova & Beverland's (2005) brand updating model. Within this model there are three main elements which are market orientation, brand-supportive dominant logic and generative learning. Based on the information from secondary data, it demonstrated McDonald's and McDonald's New Zealand's repositioning

activities have significant linkage with market orientation and generative learning; furthermore the primary data suggests that McDonald's New Zealand is aware of the importance of market orientation.

Furthermore, factors such as the demands from the customer level and pressures from the government represent the motivators for McDonald's New Zealand to implement the changes. Moreover, McDonald's New Zealand has constantly generated knowledge from the customer level and proactively seeks potential opportunity from the marketplace. Nevertheless, McDonald's only has a reasonable level of linkage with brand-supportive dominant logic. Based on both primary and secondary data, it demonstrated that McDonald's is less likely to implement the brand improvement activity as an ongoing process. The next chapter will provide a detailed discussion based on the findings of this research.

# ***Chapter 5: Discussion***

## **5.1 Introduction of the chapter**

This chapter covers the discussion of this research; it will review the aim of this research and the research question. Then it will discuss the main findings which have been drawn from this research and present a revised model of brand updating ability. Finally, it will discuss the implications of the research findings from both theoretical and managerial perspectives, and discuss limitations of the research.

## **5.2 Statement of research aim and research questions**

The aim of this research was to examine if Yakimova & Beverland's (2005) model of *brand updating ability* explains the success of McDonald's repositioning. Furthermore, this research examines McDonald's repositioning based on the three elements (market orientation, brand-supportive dominant logic and generative learning) from Yakimova & Beverland's (2005) brand updating model. This research addressed three research questions which were:

1. Did McDonald's New Zealand display brand-supportive dominant logic?
2. Did McDonald's New Zealand display a supportive market orientation?
3. Did McDonald's New Zealand display a generative approach to learning?

## **5.3 Conclusions regarding research questions**

Based on the information from both primary and secondary data, it is suggested that repositioning activities which have been implemented by McDonald's and McDonald's New Zealand d market orientation, and generative learning. Factors such as the increasing concerns with obesity from the public, changing demands from customers and pressures from governments represent the motivators for McDonald's to reposition itself. As a result, McDonald's and McDonald's New Zealand have undertaken enormous changes such as reducing salt and saturated fat from the food supply, introducing the Happy Meal and labelling the nutritional facts on the packaging. In terms of generative learning, McDonald's and McDonald's New Zealand have constantly generated knowledge from customers, suppliers, employees and even from competitors. Furthermore, McDonald's allows its franchisees to

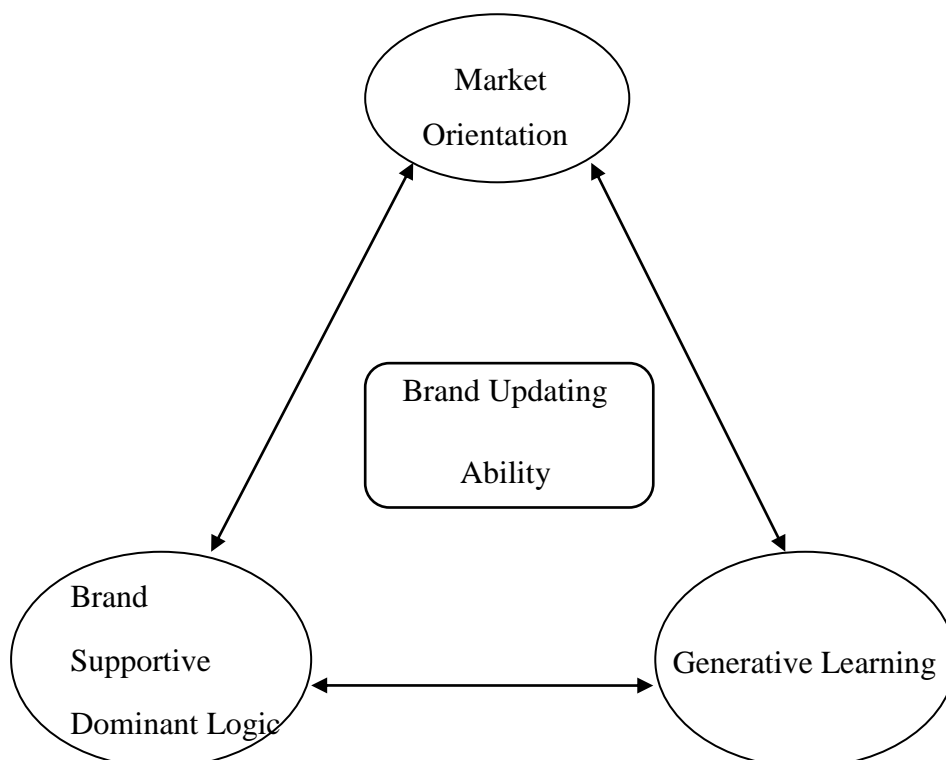
operate uniquely across different nations. As a result, this assists McDonald's to learn the uniqueness of each market and increase brand value and performance. Nevertheless, McDonald's and McDonald's New Zealand only have a reasonable level of linkage with brand-supportive dominant logic. Based on the information from both secondary and primary data, McDonald's and McDonald's New Zealand started to implement the changes after problems such as negative publicity, inefficiency and negative growth of revenue.

Yakimova & Beverland's (2005) model of *brand updating ability* suggests an organisation with brand-supportive dominant logic is more likely to focus on constantly and continually seeking for the best approach to increase its brand value. Furthermore, a brand orientated firm does not see brand repositioning as a difficult task because brand-supportive dominant logic is part of its organisational culture. In other words, it is less likely that McDonald's and McDonald's New Zealand review and maximise the brand competitiveness as an ongoing process.

#### 5.4 A revised model

Based on information from a range of literature sources and from the primary and secondary data gathered, this research has developed a revised model of *brand updating ability*.

**Figure 2** Revised model of brand updating ability.



The model illustrates the relationship between brand orientation, generative learning and market orientation. Firstly, by looking at the concept of *brand orientation*, Grinstein (2008) claimed market orientation must be in balance with other strategic orientations such as learning orientations in order to be effective.

In order to develop a successful brand or reposition a brand, marketers must ensure the brand they develop fulfils both the latent and expressed needs of customers (Urde, 1999). Under this scenario, marketers will be most likely to acquire information from the market and transform this into knowledge that can be applied to increase the competitiveness of the brand.

When an organisation is focusing on a *market orientation*, more than likely managers will generate information from a number of sources such as customers, suppliers, and other stakeholders for different purposes such as new developments, increase in product quality and customer satisfaction. While the organisation is applying the information for the specific purpose, it is also learning a lesson from this information.

Moreover, the information from the *Journal of Industrial Training* suggests market orientation represents one of the foundations of a learning organisation (Anonymous, 1995). By gathering information from the market, organisations also gather the ability to learn from the markets. In summary, in order to develop brand updating ability, organisations must develop these three abilities at the same time. In other words, the effectiveness of brand updating ability relies on a balance between brand-supportive dominant logic, generative learning, and market orientation.

## **5.5 Implications for theory**

This research has a number of implications from a theoretical perspective. Firstly, based on the revised brand updating model, it provides a different perspective of how to acquire brand updating ability. In order to successfully reposition a brand, this research suggests more than likely companies need to have three abilities: market orientation, brand-supportive dominant logic and generative learning. More importantly, the balance between these three abilities determines the success of the repositioning campaign.

In other words, when the company starts to reposition a brand from the market, firstly it is important to acquire information from outside of the organisation. While it is acquiring the information, at the same time it is also learning from outside of the organisation. Moreover, when this company applies the knowledge which has been gathered from outside the organisation into action, as a result, the company fulfils the needs of the customer and also

increases its brand competitiveness. In summary, successful brand updating ability relies on an equal focus on market orientation, brand-supportive dominant logic and generative learning.

## **5.6 Implications for management practice**

This research has a number of implications for management practice. In order to successfully reposition a brand, it is suggested that managers should focus on the signals from the market before implementing any activity. In other words, managers should focus on the current trends from the market and seek for any potential opportunity. On the other hand, it is important for managers or personnel from senior management to establish a market and brand orientated organisational culture within the organisation. Moreover, it is important for senior management to ensure every employee within the organisation understands the importance and the benefits of being both market and brand orientated. In other words, senior managers should encourage employees to express their ideas about how to maximise the brand performance and be market orientated.

Lastly, it is suggested that senior management should focus on proactively and continually generating knowledge from outside of the organisation. More importantly, it is suggested that managers should focus on investigating potential opportunity from the markets and focus equally on being market orientated, brand orientated and generative in learning in order to acquire brand updating ability.

## **5.7 Limitations**

This research has a number of limitations. Firstly, this research is based on only one unit of analysis. Hence the aim of this research is to examine Yakimova & Beverland (2005) model of *brand updating ability*. In this research, only one case was applied to examine the Yakimova & Beverland (2005) model. This can directly affect the general ability of the findings. Moreover, this research's findings were primarily drawn from secondary data. Hence the secondary data was not specifically gathered for this research; therefore it can directly affect the credibility and reliability of the information. Moreover, the secondary data can also contain potential risks such as personal bias from the author. Therefore it can also affect the general ability, credibility and dependability of the data.

Although the primary data was collected directly from the personnel who work from McDonald's, nevertheless only one interview was conducted with the personnel from the marketing team of McDonald's New Zealand. Moreover, the interview only lasted for one hour

which can only generate a limited amount of data. As a result, this can directly affect the credibility of the data.

## **5.8 Future research**

This research only involved one case which is McDonald's. It is suggested that more cases should be involved in future research in order to examine the Yakimova & Beverland (2005) model of *brand updating ability*. Moreover, it should involve more cases from different industries in order to generate generalisable findings. More primary data should be gathered for future research, this research suggests more in-depth interviews should be conducted in order to increase the richness of the findings. Lastly, more in-depth interviews should be conducted with personnel who came from both management and operational levels.

## **5.9 Conclusion**

This chapter contains the discussion of this research; the aim of this research was to examine whether Yakimova & Beverland's (2005) model of *brand updating ability* explains the success of McDonald's repositioning. Based on the primary and secondary data, it is suggested that the repositioning of McDonald's and McDonald's New Zealand has significant linkages with market orientation and generative learning. Nevertheless, there is only a reasonable level of linkage between McDonald's/McDonald's New Zealand and brand-supportive dominant logic. This research developed a revised model of brand updating ability which emphasises the balance between market orientation, brand-supportive dominant logic and generative learning.

This research contributes implications from both theoretical and managerial perspectives. From a theoretical aspect, it is suggested that a successful brand updating ability relies on equal focus on market orientation, brand-supportive dominant logic and generative learning. From the managerial perspective, when undertaking repositioning, managers should focus on current demands from the market, and proactively generate knowledge from outside of the company. More importantly, managers should ensure every employee understands the purpose and benefits of being brand orientated. This research contains a number of limitations such as a lack of primary data, over use of secondary information and a limited unit of analysis. For future research, this research suggests more units of analysis can be studied, and more in-depth interviews should be conducted in order to ensure the credibility and generalisability of the research.

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## Appendix 1: Ethical Approval



# MEMORANDUM

## Auckland University of Technology Ethics Committee (AUTEC)

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To: Ken Hyde

From: **Madeline Banda** Executive Secretary, AUTEC

Date: 23 October 2008

Subject: Ethics Application Number 08/233 Repositioning: A case study of McDonald's New Zealand.

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Dear Ken

Thank you for providing written evidence as requested. I am pleased to advise that it satisfies the points raised by a subcommittee of the Auckland University of Technology Ethics Committee (AUTEC) at their meeting on 6 October 2008 and that I have approved your ethics application. This delegated approval is made in accordance with section 5.3.2.3 of AUTEC's *Applying for Ethics Approval: Guidelines and Procedures* and is subject to endorsement at AUTEC's meeting on 10 November 2008.

Your ethics application is approved for a period of three years until 23 October 2011.

I advise that as part of the ethics approval process, you are required to submit the following to AUTEC:

A brief annual progress report using form EA2, which is available online through <http://www.aut.ac.nz/about/ethics>. When necessary this form may also be used to request an extension of the approval at least one month prior to its expiry on 23 October 2011;

A brief report on the status of the project using form EA3, which is available online through <http://www.aut.ac.nz/about/ethics>. This report is to be submitted either when the approval expires on 23 October 2011 or on completion of the project, whichever comes sooner;

It is a condition of approval that AUTECH is notified of any adverse events or if the research does not commence. AUTECH approval needs to be sought for any alteration to the research, including any alteration of or addition to any documents that are provided to participants. You are reminded that, as applicant, you are responsible for ensuring that research undertaken under this approval occurs within the parameters outlined in the approved application.

Please note that AUTECH grants ethical approval only. If you require management approval from an institution or organisation for your research, then you will need to make the arrangements necessary to obtain this.

When communicating with us about this application, we ask that you use the application number and study title to enable us to provide you with prompt service. Should you have any further enquiries regarding this matter, you are welcome to contact Charles Grinter, Ethics Coordinator, by email at [charles.grinter@aut.ac.nz](mailto:charles.grinter@aut.ac.nz) or by telephone on 921 9999 at extension 8860.

On behalf of the AUTECH and myself, I wish you success with your research and look forward to reading about it in your reports.

Yours sincerely



Madeline Banda

Executive Secretary

Auckland University of Technology Ethics Committee

Cc: Steven Chang chicha95@aut.ac.nz, AUTECH Faculty Representative, Business

## **Appendix 2: Participant Information Sheet**

### Participant Information Sheet



Date Information Sheet Produced:

21 October 2008

### **Project Title**

Repositioning: A case study of McDonald's New Zealand

### **An Invitation**

My name is Steven Chang, I am a student of the Master of Business at AUT University. I invite you to participate in this research into the repositioning of McDonald's New Zealand. This research forms part of my studies towards the Master of Business. Your participation in this research is entirely voluntary, even if you have been suggested to participate by your employer. You may withdraw from this research at any time, without any adverse consequences.

### **What is the purpose of this research?**

This research forms the basis of my Master of Business research dissertation. The research seeks to report on the applicability and limitations of a model of brand repositioning.

How was I chosen for this invitation?

Your name has been suggested to me as someone who is knowledgeable about the repositioning strategy and tactics of McDonald's.

What will happen in this research?

The research involves a 30-60 minute interview following a set of prepared questions regarding the branding and positioning of McDonald's in the New Zealand market.



**What are the discomforts and risks?**

Minimal discomfort or risk is anticipated for any participant.

There is a slight possibility that participants may be identifiable.

However, participants will not be identified in the research by name or position title. All questions relate to the official view on branding and positioning activities undertaken by McDonald's New Zealand; questions will not be asked about the activities or performance of individuals, nor about the challenges faced by individuals. Questions are asked about what McDonald's New Zealand has done, not opinions on what individuals think of the activities of McDonald's New Zealand.

**What are the benefits?**

This research will add to theoretical knowledge about branding and repositioning. Participants may enjoy the opportunity to revisit their recent work and achievements in the branding of McDonald's (NZ).

**How will my privacy be protected?**

Your name will not be recorded for this research. While any quotations presented in the final research report will be reported anonymously, there is some possibility that you might be identifiable from any direct quotations used.

**What are the costs of participating in this research?**

The only cost of participating in this research is the time you have given to the interview.

**What opportunity do I have to consider this invitation?**

You will be allocated a reasonable time to consider this invitation to be interviewed. The interview need not proceed on the day you received this invitation.

**How do I agree to participate in this research?**

You will be invited to sign the research Consent Form which accompanies this Information Sheet.

**Will I receive feedback on the results of this research?**

You will be provided with a transcript of the interview, for your approval. You will be provided with a copy of the results of the research project if you wish to receive a copy.

**What do I do if I have concerns about this research?**

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, *Dr Ken Hyde*, *ken.hyde@aut.ac.nz*, phone 09-921-9999.

Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTECH, Madeline Banda, *madeline.banda@aut.ac.nz*, 921 9999 ext 8044.

Whom do I contact for further information about this research?

**Researcher contact detail:**

Steven Chang, student, Faculty of Business, AUT University, Private Bag 92006, Auckland.

**Research supervisor contact detail:**

Dr Ken Hyde, *ken.hyde@aut.ac.nz*, phone 09-921-9999.

Approved by the Auckland University of Technology Ethics Committee on *23 October 2008*,

AUTECH Reference number *08/233*.

## Appendix 3: Consent Form

Consent Form



Project title: Repositioning: A case study of McDonald's New Zealand

Project Supervisor: **Dr Ken Hyde**

Researcher: Steven Chang

- ☐ I have read and understood the information provided about this research project in the Information Sheet dated 21 October 2008.
- ☐ I have had an opportunity to ask questions and to have them answered.
- ☐ I understand that notes will be taken during the interviews and that they will also be audio-taped and transcribed.
- ☐ I understand that I may withdraw myself or any information that I have provided for this project at any time prior to completion of data collection, without being disadvantaged in any way.
- ☐ If I withdraw, I understand that all relevant information including tapes and transcripts, or parts thereof, will be destroyed.
- ☐ I am aware that, while any quotations presented in the final research report will be reported anonymously, there is some possibility that I might be identifiable from any direct quotations used
- ☐ I agree to take part in this research.
- ☐ I wish to receive a copy of the report from the research (please tick one): Yes ☐ No ☐

Participant's

signature:

.....

Participant's

name:

.....

Participant's Contact Details (if appropriate):

.....

.....

.....

.....

Date:

Approved by the Auckland University of Technology Ethics Committee on 23 October 2008

AUTEC Reference number 08/233

Note: The Participant should retain a copy of this form.

## Appendix 4: Interview Guide

### Interview guide

The interview guide for this research contains 8 questions which covers two main sections, the general and research question that are listed as below.

#### General Question

1. Can you please tell me what the motivators were for McDonald's to undertake this repositioning program?
2. What has McDonald's New Zealand done for this repositioning campaign?
3. Are there any barriers when implementing this project? And how did you overcome these barriers?
4. Can you please tell me about what is the current result of this project? And do you have any follow up program? How do you monitor the progress of this project?

#### Research Question

5. Can you please talk about how McDonald's focused on **market orientation**, and how does it relate to this repositioning project?
6. In terms of **learning** from the markets, what was McDonald's done when focused on this repositioning project?
7. How does McDonald's manage its **branding** strategy? And how does this relate to this repositioning project?
8. Can you please tell me to what extent, the repositioning of McDonald's New Zealand was part of global campaign; which aspects of the repositioning were McDonald's New Zealand initiatives?

## **Appendix 5: Transcription of interview with McDonald's NZ**

**Date:** 19/11/2008

**Time:** 10:40AM

**Participant:** Person X, Marketing Position, Head office, McDonald's New Zealand

**Researcher:** OK, how are you?

**Interview subject:** Good morning, Steven. I'm good, thank you.

**Researcher:** As you know, the end of my research is to test Yakimova and Beverland's theoretical model of brand updating ability. Therefore I've prepared some questions because I want to use McDonald's NZ as my case to testify this model. Therefore I've prepared eight questions, which are divided into two categories: general questions and research questions for my interviews. So, can we start with the first question please?

**Interview subject:** Yes, sure.

**Researcher:** OK. You can feel free to interrupt me any time you want.

**Interview subject:** OK.

**Researcher:** For any reason, if you feel comfortable, or you want to withdraw from this interview you can stop immediately, any time you like. Right. The first question is: can you please tell me what the motivators for McDonald's to do this repositioning programme? In other words, why McDonald's was interested in repositioning itself toward to health orientation? What are the motivators for that?

**Interview subject:** Ok. Well, probably, first of all I'd probably start by saying that we didn't actually undertake a conscious repositioning programme. So, I guess that's probably the first thing. McDonald's globally was in a position in, sort of, you know, the early 2000s of a lot of media scrutiny around things like *Supersize Me* and *Fast Food Nation*. But also because of the increasing obesity rates worldwide. And also increasing scrutiny, I guess, around, you know, what makes people fat, what makes people obese, what sort of environments are more conducive to obesity, what sort of food and just a general growing trend worldwide to be more conscious around what people eat.

So in the nineties, the eighties and nineties, there were this whole sort of culture of excess around the world, and that meant excessive eating as well. So it wasn't that McDonald's consciously said 'Right, we need to reposition ourselves', it was more that our customers were saying to us: 'you aren't providing us the stuff that we need'; politicians were saying to us: 'you aren't the sort of company that we want to have operating and be successful, and um, you know, the third thing was the fact that McDonald's shares globally, our stock and also our sales were stagnating... and, if not, going down. So, it wasn't around... health was not... it wasn't because we just suddenly decided that as a company we had to suddenly reposition ourselves and become a healthy company, it was a whole number of things, but I'd say primarily it was customers. That was our main reason for beginning what we would call our sort of 'journey of change'. Um, yeah. I think that's probably it....

**Researcher:** Thank you. Now can we move onto the second question, please. In New Zealand what has McDonald's NZ done for this campaign? Yeah, so what have you achieved and how have you achieved it? What sort of strategy have you applied?

**Interview subject:** Well, probably, um I guess, just point to the presentation and I can probably talk a bit at this point, rather than the questions.

**Researcher:** Thank you.

**Interview subject:** So, basically, in New Zealand we decided that we had to... we had sort of a three-pronged approach, I guess. The first was that we had to actually get it right at the product, so we had to change some of the products because you can't just reposition yourself or you can't just change the way people think about you if you haven't actually done anything differently. Um, one of the other things we did was that we actually really started to take a very transparent approach to our business. So there's stuff that we did at the product level, that was prong one, and prong two was the fact that we started to actually talk about the stuff that we already did that people either had misconceptions about, or they just didn't know what we were doing. And the third prong was, I guess, to admit that we, or to set some timeframes which were realistic, because you can't change the way people feel about your brand overnight.

So, we've set ourselves sort of a 3-5 year goal of saying, you know, 'In X amount of time, this is where we want our brand to be positioned in the New Zealand market'. But in terms of the products, New Zealand has actually been very... you know, New Zealand's led the world in a lot of this area because we had a government in the early 2000s that was very, ah, was very encouraging in terms of they said 'you really need to change'. Um, so, whereas other markets, particularly I think Asia, have been very slow in making, you know, more healthy changes. Because McDonald's has been in New Zealand for 30 years so we've already done the normal burger stuff and the breakfasts, whereas Asia's just starting to do all that.



The States also has been slower because New Zealand is such a small market we can move quickly. Um, you know, so we were the first country in the world to do Happy Meal Choice, which was one of our first things. We introduced healthier choices at breakfast. We were the first um company, QSR – so QSR’s Quick Service Restaurant, and I’ll probably refer to that, that’s what we are – so we introduced voluntary labeling and nutritional information on our packaging. And that was a really big key thing for us because it was a part of being transparent, so that was very important. We couldn’t go out there and say things to people, because one of the big problems with McDonald’s was that people just saw this huge big ‘M’ and they didn’t see what was behind it. And everybody thinks that there’s this weird science going on behind the food, whereas what we started to do with the food labeling was to say, ‘Actually, this is what’s in our food, and here you go, here’s all that information you need’.

Um, Happy Meal Choices I’ve mentioned. We used Sarah Ulmer for our Eat Smart, Be Active campaign. So we basically, um, Sarah Ulmer helped launch our Lighter Choices range, which was a group of menu items which contained under 9g of fat. We introduced Deli Choice rolls, and some of those, obviously, were under 9g of fat. But I guess, too, one of the things that we really started to do was to tell our story in New Zealand. So, I guess what I’m saying is, in terms of your question: how did we do it? We had, you had to have concurrent campaigns. So you’ve got, on one hand you’re doing the food stuff and on the other hand you’ve got ‘telling it’. So you know a lot of people don’t know some of these quite basic facts, like that 80% of our restaurants in New Zealand are owned by New Zealanders; that we spend \$100m dollars with New Zealand suppliers every year; that we use 95% of New Zealand produce. Those are some of the things that we really started to talk about.

Um, and I guess, this slide here is really about to show you that it wasn’t... in order for us to really get credit for the stuff we were doing, the changes had to be big. And I think probably the difference between McDonald’s and, say, our competitors, is that we have really made some substantial changes to our menu. You walk into a McDonald’s today and the décor, the menu, and the amount of saturated fat in food is considerably different to what it was 10 years ago. Whereas you might walk into a BK or a Wendys and the only thing that’s really different is that they’ve got some salads. So, for us, it was really about making substantive changes, um, and backing them up with what we were talking about.

**Researcher:** OK, thank you so much for that. Now, do you mind answering my third question? Um, do you, do we have any barriers implementing this project, and how did you overcome these barriers?

**Interview subject:** Oh, look huge barriers, but... I guess primarily the first one would be any sort of change or reformulation of food or new products or having your restaurants look nicer, or talking about what you're doing, costs a tonne of money, so one of the... I guess we're certainly very thankful now that we did it at a time when there was a lot of money around, because it is very, very hard to get people – you know, as I mentioned before, New Zealand is 80% franchised – so every decision that we make they have to agree with. So we can't just say: 'Right, were gonna spend, you know, a million dollars on a new oil', without their OK. And, I guess, that's very hard to do when there's not much money around.

So I think the biggest barrier for us, really, was getting our own franchisees over the line, because they have been used to selling... you know, and all of this stuff, all of these changes are very operationally complex so they add a lot of complexity into the restaurant, which in turn impacts service times, which in turn impacts profit, you know, things like that. So you've got to really get them over the line, to be able to say: 'Right, this oil that we're going to invest in'... you know, the oil that we're using, for example, is a sunflower and canola blend and it removed ... just changing the oil we removed 727,000kg of saturated fat from our food supply, but it cost us an extra million dollars a year to use that oil than to use the oil we were previously using. But what we have sort of said to them is that there's a benefit, there is a cost benefit because we've changed our oil, we've talked about it, we've talked to people about how our food is better for you now than it used to be and so we have more people come in. So, you know, you make up that. So definitely the investment side of things was one barrier.

I think, too, in New Zealand, there is a very active food and obesity/nutrition sort of activists, I guess is the word. And a lot of them are funded by the government so we have constantly come across barriers from them because ideally, in their perfect world, McDonald's would actually

just disappear, so the fact that we've made changes and more people want to come to us is not a good thing in their eyes. So that's been a barrier. I think too, just the general, in New Zealand, perceptions around the McDonald's brand, those have been very hard to overcome. You know, we often talk about 'what is a trusted company in New Zealand?' And a trusted company in New Zealand is very different from a trusted company in China, or very different from a trusted company in the UK, or America. In China, for example, we know that McDonald's is considered, or viewed, very positively because having an American company in China means that China is doing well. In New Zealand, on the other hand, being a big American global brand in New Zealand is actually viewed negatively, so there's been that to overcome as well.

**Researcher:** OK, thank you so much. So, the next question is: Can you please tell me what the current result of this project and do you have any follow-up programme and how do you monitor the progress of this project?

**Interview subject:** Well, I guess it's not really a project. It's the way that we do things. So we, basically, we do all sorts of things. We measure our brand results, we've done that every month since early 2000, and the whole of McDonald's globally does that so we can track scores like, you know, how people feel about our food, how people feel about the company, you know, that sort of thing. Food quality scores and things like that. And really, until this year, they really remained quite static, even though we'd been making all these quite substantive changes.

In 2008, all our results have gone up, increased, some of them quite substantially. So what we're seeing now is the result of all the hard work. That's been five years of hard work to get to where we are now, so our brand scores are definitely improving so that obviously a measure that we look at. But in terms of results, I think we in the marketing/communications area look at results quite differently from, say, the other side. McDonald's is certainly making more money that it's ever made before. So we know that, from a financial side, all the brand stuff has been worth it. But, you know, from our side we've also achieved some very big things. I've mentioned the oil with the 727,000kg of saturated fat that we removed, but we also removed, you know, 700 tonnes of sugar. We were congratulated on the front page of the *Herald* last year for the proactive stance...

**Researcher:** And the salt, as well, isn't it?

**Interview subject:** We haven't done a lot on salt. Sodium is one of our projects for next year. We were congratulated in the *Herald*, front page of the *Herald* for our proactive approach with the Public Health Bill last year. We certainly are considered a leader in the New Zealand food industry. We're certainly the leading QSR brand by miles. We work very proactively with government now. We work very proactively with the food industry group and the Ministry of Health. We have already done a big project with Counties-Manukau District Health Board and we're looking to do another one early next year. Because of our junior sports sponsorship we've got 200,000 kids playing soccer every week. So there's a lot of stuff, you know...

And I think one of the more telling results around how our brand is perceived now, as to how it used to be perceived – I'm not sure if you're aware but McDonald's used to run a road safety programme for about 18 years for kids in schools, and it used to be run with the NZ Police, we used to do it in conjunction with the Police. And a couple of years ago, the Police decided that they couldn't be involved with McDonald's from a sponsorship point of view, and I guess everybody, including McDonald's franchisees, they were, they thought this would be the end of the road safety programme. This year we have had more schools want the programme than ever before. Demand has outstripped supply completely and we're actually going to have to invest in increasing the number of days that Ronald is available in the market next year to meet demand.

And I think that's very telling from a brand perspective, because schools are a very sensitive environment in terms of fast food and, you know, we thought the schools would want the Police to be in there but because, I think, of the way people feel about the brand, they know that we're a responsible company, they know that we're responsible advertisers, they know that we're providing a good service, and that we do it in a caring and responsible way. And the reaction has been fabulous.

**Researcher:** Terrific. Since you have pretty much answered my 5-7 questions about market orientation, brand orientation, so my second to last question is: In terms of learning from the markets, I mean, what McDonald's has done in this way of doing things in regarding to generative learning – learning from the markets, learn from... practically go out and learn things – this is basically a different issue of generative learning is about. It's about go out and learn things, not learn from the mistakes. It's proactively go out and learn things, change the way of doing business. What McDonald's has done in regarding to this area?

**Interview subject:** Do you mean around our customer research? Or do you mean around looking at other McDonald's markets or...?

**Researcher:** Around customers, I mean.

**Interview subject:** OK. So, I mean, everything that McDonald's does, we research before we do it. So, whether it's new products or whether it's, you know, initiatives that we might want to do, we do a lot of research around that. But I think also we have a very good team here, so we have a good bunch of marketers and we have a good bunch of comms people – even though it's very small.

**Researcher:** And yourself as well.

**Interview subject:** Exactly. We also have a very close relationship with our advertising agency, DPB. Between us, I think, as a strategic unit, we do a lot in terms of looking at what our competitors are doing, looking at what other trends there are and really understanding the environment that we work in. You know, sometimes there are things that come out in the McDonald's 'world' that we know are not going to work for New Zealand. Advertising, for example. Some of the US advertising is very, I guess 'cheesy' for want of a better word. Whereas New Zealand audiences are different – they're quite smart, they like a bit of humour directed at them. So the way that we position our brand is slightly different in New Zealand.

But a lot of, you know... our customer research is really key and we are very lucky in that we have got resource to put into that.

**Researcher:** Great. Thank you so much. Now I have gotten down to my last question. Can you please tell me to what extent the way of doing business – I won't use the word repositioning any more – to what aspect this way of doing things, uh, McDonald's New Zealand initiative, to what extent does it compare to the global way of doing things? Because this thing was originally started from US and, I suppose, they move onto the worldwide... so to what extent McDonald's New Zealand initiative is strategy?

**Interview subject:** Well, I think, as I sort of said before, it wasn't a directive from McDonald's US. It was that every McDonald's market knew in the early 2000 that we needed to change. The way that those changes were done and initiated and developed and implemented was completely down to each market. So, in New Zealand, as I mentioned before with the Happy Meal Choice, and with the...you know, Australia and New Zealand were the first markets to do salads. So, the freedom within McDonald's is that, you know, I do my job the way that my job should be done in New Zealand.

**Researcher:** So it's not about start from the US and spread out.

Interview subject: No.

**Researcher:** It's about where each market they decide 'this is what I'm gonna do' and that is what they do.

**Interview subject:** Well, obviously within a scope because you have to... you know, you can't just change... there are certain products, for example, on the menu that you can't change.

**Researcher:** Like Big Macs?

**Interview subject:** Like a Big Mac or a Quarter Pounder. However, within that, New Zealand and Australia have got low-sugar buns because New Zealanders and Australians don't like sweet bread; whereas in America, they have quite sweet bread. So there was a global mandate, I guess to say, you know, 'we need to keep more in touch with our customers' because our customers are saying 'we don't want you to stay the way that you are'.

How that looks in every market can be quite different and, as I said before, some markets are quite advanced. The UK is probably the most advanced market in terms of the environmental side of things. New Zealand and Australia would be the most advanced markets for food and for the level of recognition that we've got from a government perspective and things like that. The US is probably, because of its size, one of the slowest markets so they made an announcement last year that they wanted to change their oil. So New Zealand and Australia... well, New Zealand did it two years ago, Australia did it last year. And, obviously, oil is a very difficult thing because it changes the flavour profile of things like your fries.

So there are things that New Zealand's had to fight for to say 'we want to be able to do this now because this is right for our market'. And, yeah, everything has to get signed off by the US. We have to get approval for things, but certainly, I think the success of McDonald's is obviously the consistency around the world. But we're not all the same – we know that. You know, it's really important... and New Zealand's had a very left-wing government for the last nine years whereas many other markets haven't, so we've had to move faster than many others and we've had to be different, we've had to be much more proactive. New Zealand's had inquiries, public inquiries into obesity and type 2 diabetes, whereas other countries have only really had those in the last year. Whereas, New Zealand, our first lot was sort of three years ago.

**Researcher:** Our government is really health conscious.

**Interview subject:** Yes, it was, because of the Green Party coalition and Labour's left, you know, they were very interested in the obesity problem, so we've had to change, or move faster than a number of the other markets.

**Researcher:** Right, I think I'll just stop right here, because you're pretty much answered everything I need this morning now and I really appreciate that, so I'll just pause this recording.

**Interview subject:** All right. That's fine.