

Stimulating Breakfast & Coffee at McDonald's

How we dramatically altered the consumer's perception of McDonald's at breakfast time

Mediaworks & Cawley Nea \ TBWA

Introduction & Background

The launch of the Breakfast & Coffee platform in 2010 was one of the most significant and strategic developments for McDonald's Ireland in recent years.

By 2010 eating breakfast out of home had been on the increase for some time while Ireland had belatedly embraced the coffee culture. Coffee shops and chains sprouted up all around Ireland. The quality of the breakfast out of home offering had improved significantly.

However McDonald's played virtually no role at breakfast time for the Irish consumer. McDonald's was perceived as an unhealthy start to the day. People perceived that McDonald's coffee was average at best.

The overall consumer perception was not helped by inconsistent restaurant opening times across the McDonald's estate.

Everyone has a morning routine for their working day. When we get up, how we get to work, where we go to grab a coffee on the way.

But before our campaign McDonald's did not belong in this routine.

However with the right menu offering and relevant communications McDonald's could become a player at breakfast time in Ireland.

None of the restaurants in the immediate competitive set had a credible breakfast offering.

Even among the wider competitive set i.e. coffee shops, convenience stores etc., there was no single company who dominated the category in either share of market or share of voice.

The collapse of the construction industry and the resultant recession had damaged those outlets which had served "Breakfast Roll Man" rather than providing a quality breakfast range.

Irish consumers demanded a quality breakfast experience, healthy options and good coffee. Especially good coffee.

Thus a big opportunity existed for McDonald's.

The question was could they and their agency partners grasp it?

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Marketing Objectives

A number of objectives were put in place for this important and strategic development for McDonald's Ireland.

Business Objectives

The key business objective for the Breakfast & Coffee platform was to grow sales by 25% over 2010 and 2011.

The second business objective was to secure buy in from restaurant owners to open earlier so that McDonald's could deliver consistent opening times across the business.

Marketing Objectives

To achieve our sales growth target we needed to dramatically alter the consumer's perception of McDonald's Breakfast & Coffee offering i.e. what we wanted consumers to think, feel and do.

Marketing Objective 1: Change consumers thinking from "McDonald's is not a place I would go to for breakfast" to "I would consider McDonald's for breakfast".

We wanted the customer to feel pleasantly surprised that they could get a consistently great value, quality breakfast, conveniently every morning at McDonald's.

We wanted the customer to visit McDonald's more frequently for their breakfast as part of their morning routine.

Marketing Objective 2: Change thinking from "McDonald's only sells black coffee" to "McDonald's sells great tasting Americanos, Lattes, Cappuccinos and Espressos and at a great price too".

We wanted the customer to feel pleasantly surprised that they could get a consistently great value, quality coffee, everyday at McDonald's.

We wanted the customer to consider McDonald's as a destination for coffee.

Communications Objectives

We had one communication objective:

- Communicate that McDonald's was the destination for a great tasting, quality breakfast and coffee offering. And at a great price too.

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Company Profile

MEDIAWORKS LTD

Mediaworks is owned by Core Media, Ireland's largest and fastest growing media buying group. Our success is built on better client and consumer understanding which we believe places us in a better position to provide a competitive advantage for our clients.

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At Cawley Nea\TBWA we believe that the convergence of INSIGHT, IDEA and TECHNOLOGY is where truly inspiring, creative and effective work is born. It's what drives our talented multidisciplined teams every day. But more importantly, it's what generates the ideas that excite our clients and their brands across every medium.

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Marketing Objectives

Problems to Solve

In order to achieve the stated business objectives, it was clear that the growth needed would have to come primarily from a new audience.

Therefore we had much work to do to identify and convince this potential new audience that McDonald's was an attractive venue for breakfast.

Also before the campaign launch in 2010, McDonald's had very few credentials in this daypart and the consumer's perception of McDonald's for breakfast was quite negative.

The Task

The most interesting aspect of trying to achieve the marketing objectives was also the most challenging. McDonald's has in its repertoire a number of truly iconic brands including The Big Mac and French Fries. However in 2010 McDonald's had at best very modest credentials in the Breakfast & Coffee arena. While McDonald's had a breakfast offering including coffee for many years, it was essentially under the radar, dwarfed by the iconic brands and people did not associate breakfast with McDonald's.

Essentially McDonald's was not top of mind for the consumer at breakfast time. Not even close.

The Irish consumer had a very negative perception of breakfast at McDonald's. Research commission by McDonald's Ireland in collaboration with Bord Bia highlighted that 72% of respondents would not consider McDonald's for breakfast. (Source: Outsourced Insight February 2010).

However exciting opportunities existed. Research conducted by Datamonitor in 2010 told us that "at home breakfast occasions" were declining as consumers opted to eat breakfast on the move and at work more frequently. This was because time scarce consumers were leading increasingly hectic lifestyles and were trying to combine breakfast with other daily activities, such as commuting. This presented a big opportunity to McDonald's.

The value of the "out of home breakfast market" was expected to grow, with the added

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Marketing Objectives

pressures (real or perceived) associated with the recession and the need to work potentially longer days adding further momentum to this trend.

This suggested that breakfast was a category which if approached correctly could prove to be a large and long term success for McDonald's.

While none of McDonald's traditional competitors (Burger King, Supermac's, KFC etc.) were particularly strong in this daypart, McDonald's still faced fierce competition in this arena. Coffee shops (chains and one off stores), convenience stores, service stations etc. all had very strong and long standing credentials in this area. Also in recent years there had been a growing emphasis on value in this category and consumers expected a quality and attractively priced offering.

In 2010 not all McDonald's restaurants opened early enough to maximise the potential of the breakfast category. If McDonald's could adapt in this area they would hold a strong USP over their competitors.

The Strategy

The Coffee Carrot...

Global brands like McDonald's often are the victims of their own success. They become too tightly defined in consumers' minds, with the brand fulfilling a certain criteria that can be difficult to cause re-appraisal, proving a challenge when it comes to NPd.

Even though the entire menu had broadened to reflect variances in eating habits, invariably burgers and fries will be the automatic starting point when McDonald's is mentioned, not ideal when the brand turns its attention to breakfast. Getting consumers to place McDonald's on their list as a possible option for breakfast would require a considerable shift in perception from the public.

On the positive side, we were not trying to create a market – Irish people were already in love with breakfast, with the majority of adults claiming to eat breakfast each morning. However, the eating out market was small at 300,000. Of this group, we identified 167,000 who would consider a quick service restaurant (QSR) as a potential option. (Source: Bord Bia/Outsourced Insight)

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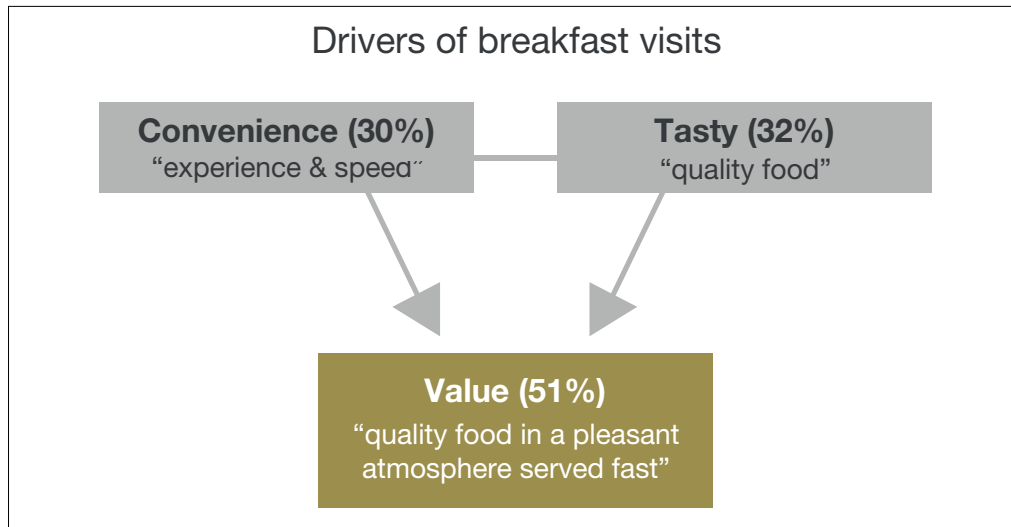


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The Strategy



This research highlighted three main drivers for breakfast visits in Ireland as can be seen above.

As both convenience and value were already well established tenets of the brand's offering, we felt our focus should be more on the quality message, thus creating a feeling of 'getting more for less' from our audience.

However, qualitative testing of potential routes indicated that irrespective of improvements to our breakfast menu, it could be still be too much of a stretch, especially when such established competition existed already.

Looking further into the high street competition one thing became clear. Ireland had firmly embraced the coffee culture.

The first decade of the 21st century was characterised by strong growth of specialist coffee shops by leading global brands such as Starbucks and also local companies such as Insomnia. This helped fuel the development of a coffee culture and boosted demand for high quality coffee, spreading to all on-trade areas, from bars to forecourts. By 2010

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The Strategy

Ireland had become very adept at assessing good coffee over bad, fast approaching connoisseurship of this drink. (Source: Euromonitor Report 'Coffee in Ireland' 2012)

Our strategic hook turned to coffee. It felt a much more credible window in which to set out our breakfast stall. Firstly, attract customers with messaging surrounding our freshly ground, rich aroma, full bean coffee at an attractive price point (€2). Then, we would look to unveil our rejuvenated breakfast offering.

This role reversal i.e. coffee first and breakfast second, became our key strategic focus for our communications.

The Idea & Communication Activity

Our strategic decision to focus on coffee helped ensure that our idea and messaging were explicit. Every piece of communication was designed to concentrate on extrapolating the quality of the coffee with high end photography. The presentation of the coffee had to be premium in nature, following a similar spec to the ground breaking Marks and Spencer quality food photographic style.

To this end the presentation of the cups, with real beans on a hessian sack background was specifically chosen to articulate our selection policy i.e. McDonald's has cut no corners in delivering the finest quality coffee at a competitive price.

These shots were always accompanied with 4 key messages:

- 1) Freshly ground,
- 2) Rich aroma,
- 3) Full Bean coffee
- 4) €2

Following from our strategy of unveiling our breakfast offering to the customer when in store, we developed a series of cross selling in store posters which gave dual exposure to both coffee and breakfast.

We knew that the McDonald's weekday customer is different to the weekend equivalent. Weekday customers have a routine and likely to be alone, particularly in the morning. Thus the advertising return would be maximised by targeting the weekday consumer at

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The Strategy

the most relevant time with the most appropriate messaging. This in turn helped shape the media strategy.

Media Strategy

The media strategy deployed was two fold:

- ▶ Use coverage building media to drive awareness and recall.
- ▶ Create a platform to target our audience with tailored messaging in the relevant dayparts, creating a call to purchase.

2010 activity

The Breakfast & Coffee media buy commenced in September 2010 and the media selected for the initial phase were radio and online.

Radio delivered on both aspects of the media strategy i.e. generating coverage levels and creating a strong call to purchase. Thus radio commanded the largest budget share in 2010.

A combination of national, regional and local stations were planned to build high coverage levels which would help drive brand awareness.

As we identified that targeting our audience during weekdays would maximise our return, we focused our radio buying on Monday – Friday only, using the medium as a call to action platform, with the majority of spots running from 6 – 10.30am.

During the evening as people started to plan the next day, a second radio execution was used, encouraging listeners to call into McDonald's for breakfast the following morning. These spots ran from 6 - 11pm.

The planned radio campaign weights were as follows:

Radio



75% Coverage of 18-44's
i.e. 1.4m 18-44's
Frequency: 13

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The Idea & Communication Activity

Digital was used as a call to action medium and a specific daypart strategy was adopted. Online advertising ran from 6 - 10.30 am and 6 - 11pm (latter daypart again promoting a breakfast visit the following morning).

A broad range of online sites were targeted including news, network and male focused sites.

Digital



4.4 Million Impressions

2010 Media Laydown

Media	% Spend By Medium
Radio	77%
Digital	23%
Total	100%

2011 activity

Following an extension of the McDonald's Breakfast & Coffee menu in 2011, there was a significant increase in budget levels.

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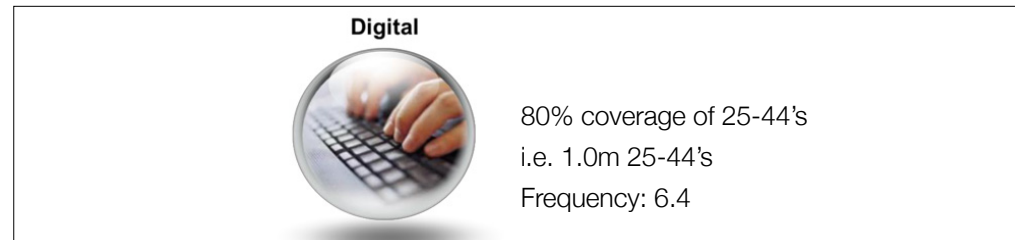
The Idea & Communication Activity

In 2011 the communications campaign was boosted hugely by the addition of Television. Television greatly assisted audience coverage building which in turn helped grow awareness levels.

Two strong phases were planned during January-February and September 2011. Activity bought on peak programming on RTE and TV3 built coverage levels while ratings bought on the satellite stations enhanced frequency delivery.

Unlike other media, the Television activity was bought across the week to ensure that sufficient coverage levels were achieved.

The planned weights for both the January-February and September phases were as follows:

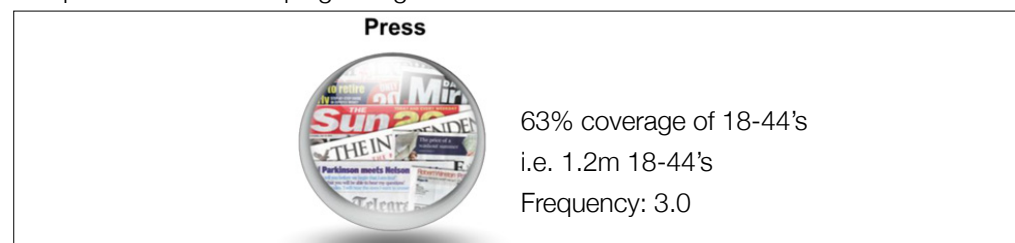


Radio and Digital were again used in 2011 with a similar strategy as the previous year. However Press and Outdoor were added to the plan in 2011.

Press was used to help build awareness levels. National daily titles were selected, delivering strong audience coverage levels amongst our 18 - 44 year old target.

Premium positions, e.g. front pages, were secured to generate impact while positions in male interest editorial, e.g. the back page of tabloid titles, delivered males.

The planned Press campaign weight was as follows:



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The Idea & Communication Activity

Outdoor was added to the plan in 2011.

A large number of 6 sheet posters – mainly on bus shelters - were positioned in close proximity to all McDonald's restaurants in order to drive footfall levels. This poster size was also purchased on a broader national scale to build audience coverage.

Outdoor advertising was also purchased in shopping centres which featured a McDonald's restaurant. This also helped drive footfall levels to each store.

The planned Outdoor campaign weight was as follows:

Outdoor	
	43% coverage of 25-44's i.e. 538k 18-44's Frequency: 15

2011 Media Laydown	
Media	% Spend By Medium
Tv	38%
Radio	31%
Outdoor	16%
Press	10%
Digital	5%
Total	100%

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The Idea & Communication Activity

2012 activity

Television and Outdoor featured again in 2012, with similar buying strategies as before.

To enhance the performance of Radio further, we created a series of 10 second “**Radio Time Checks**” on national and local stations during peak morning radio programming.

Each time check referred to an item from the Breakfast & Coffee menu, encouraging listeners to visit McDonald's. A large number of time checks ran each morning Monday - Friday. Due to the frequency of the time checks, a sense of ownership of the relevant programmes was generated.

Also in 2012 in order to deepen our relationship with the consumer further, we devised a highly innovative **Digital** platform.

Rather than just advertise to and “interrupt” the commuter with McDonald's messaging, we wanted to help make the journey to work a little more enjoyable and rewarding. The result was the “**McDonald's Morning App**” – a joint collaboration with Communicorp Digital which provided value and functionality to the morning commuter.

The insight which we leveraged here was that commuters want to have a less stressful journey to work. The “McDonald's Morning App” is an all-encompassing app which combines a wake up alarm, live streamings from all six Communicorp radio stations, a continuous Newstalk.ie news feed, McDonald's breakfast coupons and a McDonald's restaurant locator.

We identified that the best way to promote an app was within an app. A mobile advertising campaign was implemented to push downloads. We advertised the “McDonald's Morning App” on a range of the most popular mobile apps in the market. This mobile activity ran from 6.30 – 10.30am.

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Behaviour

2012 Media Laydown	
Media	% Spend By Medium
Tv	34%
Digital	25%
Outdoor	21%
Radio	20%
Total	100%

This table shows the media investment which supported the Breakfast & Coffee platform from September 2010 – March 2012.

Year	% Spend By Year
2010	10%
2011	66%
2012	24%
Total	100%

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The Results

Results Attributable to Communications

The campaign was one of the most responsive in sales to advertising which McDonald's has seen. There was a clear correlation between the advertising investment and the sales generated.

Coffee Unit Sales

As McDonald's quality coffee was the strategic hook used to unveil our breakfast offering, the coffee sales performance was particularly significant.

Since the campaign began in September 2010 McDonald's Ireland has seen terrific growth in coffee units sold.

Year	Coffee Unit Growth
2010	+33%
2011	+18%
2012(Q1)	+16%

In fact McDonald's coffee unit sales have grown by 92% since 2008.

Breakfast & Coffee Sales

The McDonald's Breakfast & Coffee campaign generated outstanding sales results.

The primary business objective was to grow Breakfast & Coffee sales by 25% over 2010 and 2011.

The actual sales increase over this period was 28.9%.

This increase excludes sales from new McDonald's restaurants which opened during this period.

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The Results

Year	% Increase YoY
2009	
2010	+14%
2011	+13%

Restaurant Footfall Levels

McDonald's has seen a huge increase in footfall levels in the breakfast daypart since the campaign began in 2010 as can be seen here.

These footfall figures exclude any new restaurants which were opened after the launch i.e. only numbers for those restaurants which existed pre-launch are included here. Thus the actual increase in footfall levels was significantly higher.

Daypart	Year	% Increase YoY
Breakfast	2009	
Breakfast	2010	+12%
Breakfast	2011	+13%

In summary footfall levels have increased by 26% since 2009.

Advertising Recall

We also know that the advertising campaign delivered strong recall levels.

From the "Poster Impact Research" study (Ipsos MRBI), we saw that the 2011 outdoor campaigns performed well above average recall levels.

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The Results

The average 6 sheet recall level for 2011 as reported by "Poster Impact" was 40%. The February "Quality" Coffee outdoor campaign generated a recall level of 54% (35% above the average).

The October phase achieved a recall level of 63% (57% above the average).

Also 68% of respondents said "they would buy ("definitely/possibly") this product as a result of seeing the advertisement".

The "McDonald's Morning App"

The app launched in December 2011. Based on industry averages we set a target number of downloads which we surpassed by over 300%. To date downloads have exceeded our expectations.

The average McDonald's coupon redemption rate is 3%. However the Breakfast & Coffee coupons on our app achieved a staggering 20% redemption rate.

Campaign Contributed to Key McDonald's Metrics

The campaign helped contribute to improvements in key McDonald's Ireland metrics as measured in McDonald's "Fast Track" (TNS International) research survey.

Impact on Behavioural Attitude & Payback

Changing Consumer Perceptions

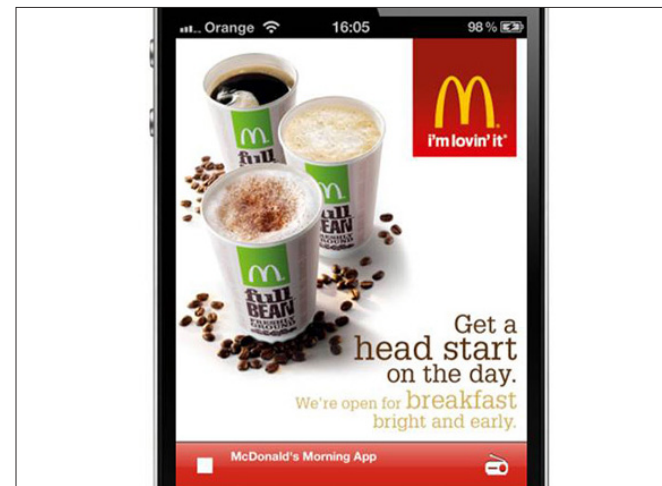
Our marketing objective set out to dramatically alter the consumer's perception of McDonald's Breakfast & Coffee offering.

While the sales and footfall levels prove that this was achieved, we should also look at the reasons behind this change in consumer behaviour.

An important factor was how we addressed the three most important drivers for those who eat breakfast outside the home i.e. "Taste", "Value" and "Convenience".

How successful we were in communicating these factors was measured in McDonald's quarterly "Fast Track" research survey (TNS International). The "Fast Track" results showed very impressive improvements in the relevant metrics for each driver.

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Impact on Behavioural Attitude & Payback

In fact McDonald's rarely sees increases of these levels.

Driver	Metric	Q1 2011 vs. Q1 2012 Differential
"Taste"	"Taste of Food"	+10%
"Value"	"Has Affordable Prices"	+6.4%
"Value"	"Good value for money"	+2.3%
"Convenience"	"Conveniently located"	+5.3%

The above shows that we had delivered real change in consumer perception.

Return on Investment Levels

For the past number of years McDonald's Ireland has commissioned econometric modelling analysis of its media investment. This econometric modelling evaluates the effectiveness of media investment and the key sales drivers of the business.

Here we have highlighted the 2011 ROI levels for Breakfast & Coffee as this was the first full year advertising the programme. The media analysed in the econometric study were Television and Radio as they accounted for 69% of the total media expenditure that year.

The Breakfast & Coffee Television campaign generated an ROI level which was 26% above the McDonald's ROI performance for the entire year. This was one of the highest Television ROI levels last year.

As the Breakfast & Coffee menu generates a relatively low average cheque value and as the breakfast consumption window is small, one would expect a low ROI performance. Thus a Television ROI level of this scale is particularly encouraging.

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Impact on Behavioural Attitude & Payback

The TV commercial majored on the quality cues of the Breakfast & Coffee offering and this independently measured econometric data shows that the quality message strongly delivered in ROI terms.

Extension of Restaurant Opening Times

The second business objective was to secure buy in from restaurant owners to open earlier so that McDonald's could deliver consistent opening times across the business.

As a result of our campaign 13 restaurants (16% of the estate) opened earlier for breakfast.

Securing this level of buy in from restaurant owners was a hugely significant result for McDonald's Ireland.

The independent econometric data told us that the increase in the number of restaurants opening earlier contributed 8% to the overall rise in Breakfast sales. These additional sales exclude new store openings.

McDonald's expect this value to increase as more restaurants adopt earlier opening hours and as the daypart value grows.

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Summary

The launch of the Breakfast & Coffee platform in 2010 was one of the most successful initiatives by McDonald's Ireland in recent years.

From a position of having very few credentials in this category, McDonald's tackled and turned around an extremely negative consumer perception.

This was achieved through the combination of strong commitment levels across the business, key buy in from key restaurant owners, a strong and varied menu offering, allied with an impactful communications campaign.

Extremely testing objectives were set and achieved.

Through extensive pre-launch research, a new potential audience for McDonald's was identified. This audience told us that the three most important factors when considering a good breakfast and coffee offering were value, taste and convenience.

These learnings were central to both the breakfast and coffee offering which McDonald's developed and the resulting communications.

McDonald's great tasting and attractively priced coffee was the hook which enticed people to visit McDonald's for breakfast. When inside the restaurant they were then enticed by a varied and appealing breakfast menu.

Advertising showing the quality coffee offerings and the entire breakfast menu was strategically placed.

Traditional and non-traditional media were used to build awareness levels and deliver a call to purchase through tightly targeted and daypart specific advertising.

Audience research during the campaign highlighted that those factors which our audience look for in a quality breakfast offering were being delivered.

Meanwhile media research showed that campaign recall levels were well in excess of the industry average.

A clear and direct relationship could be seen between advertising and sales. In fact this campaign was one of the most responsive in sales.

The campaign also delivered strongly in ROI terms.

Today the Irish consumer regards McDonald's as a credible destination for breakfast and an excellent provider of consistently high quality coffee at an attractive price.

McDonald's now own a Breakfast & Coffee platform which will continue to grow and reap dividends for many years to come.

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