

**McDonald's Corporation and the Issue of
Health and Nutrition**

Table of Contents

Introduction.....	4
1. History.....	6
1.1 The Early Years: 1950-1964.....	6
1.2 Public Owned Company and Industry Leader: 1965-1970s.....	6
1.3 Continued Expansion: 1980s.....	7
1.4 Issue Brewing with the “McLibel” Suit: 1990s.....	8
1.5 The Health and Nutrition Movement Gains Momentum:	
Late 1990s -2003.....	10
1.5a Repercussions.....	11
1.6 2004 to Present.....	12
1.7 Corporate Social Responsibility.....	14
2. The Issue of Fast Food, Nutrition, and Health.....	15
3. Opposition.....	17
3.1 In General.....	17
3.2 McLibel.....	18
3.3 McLawsuit.....	19
3.4 <i>Super Size Me</i>	20
3.5 <i>Fast Food Nation</i> and <i>Chew on This</i>	21
4. Responses by McDonald’s.....	23
4.1 Denial and Avoidance.....	23

4.2 McDonald's Blog.....	25
4.3 Action Promised but Not Delivered.....	26
4.4 Marketing Actions.....	27
5. McDonald's Challenge.....	29

Teaching Notes

1. Introduction.....	30
2. Purpose of the Case Study.....	31
3. Overall Synopsis of the Case for Presentation.....	32
4. Teaching Components.....	33
4.1 Assignments and Activities.....	33
4.2 Explanation of Issues Management.....	34
4.3 Teaching Points in the McDonald's Case.....	35
5. Solutions through Application of the Page Principles.....	40
6. Summarizing Key Recommendations.....	45

Introduction

From humble beginnings of only three restaurants in 1955, McDonald's® has grown to be a powerful multinational corporation with more than 31,000 restaurants in 119 countries.¹ McDonald's employs more than 1.5 million people and serves more than 46 million customers per day.² McDonald's Corporation has long held the number one ranking in the fast food industry³ (See Appendix 1). Across industries, McDonald's restaurants rank in the top three American brands⁴ (See Appendix 2).

Being a major corporate force does not come without its drawbacks. By virtue of its leadership position, McDonald's is also the global fast food industry's biggest target.⁵ One issue in particular—that of increasing obesity rates and health risks caused by diets high in fat and sugar—has been critical for McDonald's. The corporation took its first major hit on this issue in the highly publicized “McLibel” suit in England in the mid 1990s. That court case came about as a result of protestors distributing pamphlets titled “What's Wrong with McDonald's: What They Don't Want You to Know” that included numerous criticisms that McDonald's charged were libelous. An unflattering documentary based on this case, entitled *McLibel*, was released in 2005⁶)

In 2001, Eric Schlosser published a scathing criticism of fast food in his *New York Times* bestseller book, *Fast Food Nation: The Dark Side of the All-American Meal*. A fictionalized account of this book was released as a motion picture of the same name in November, 2006⁷. Schlosser has also published a version of *Fast Food Nation*, designed specifically for 11- to 15-year-old children and entitled *Chew on This*. Attacks on McDonald's nutrition and health impacts continued in 2002 when two American teenagers filed a lawsuit against McDonald's claiming that the corporation was

responsible for their weight problems. But perhaps the most publicized and widely distributed charge of all came in 2004 when Morgan Spurlock released a motion picture directly aimed at McDonald's, *Super Size Me*, a documentary presenting "one man's journey into the world of weight gain, health problems, and fast food."⁸ Spurlock more recently released a modified version of the film geared specifically to children.

In 2002, McDonald's posted the first quarter loss ever in the company's history.⁹ Although the fast food giant has since managed to recoup system-wide revenue gains and incremental increases in per share stock prices from 2003 to 2005, these gains were modest. In 2005, while McDonald's Corporation remained number one in the fast food market, it dropped to number 29 in growth.¹⁰ *PR Week* reported that "the explosive growth of the golden arches was checked in this decade as fast food chains became identified as prime culprits in fuelling the obesity epidemic among children. Books such as Eric Schlosser's *Fast Food Nation* and films such as Morgan Spurlock's *Super Size Me* have served to popularise [sic] McDonald's bashing."¹¹ Public charges of knowingly providing fare that is potentially dangerous to the health and well-being of consumers has had a detrimental effect on McDonald's corporate reputation and image as well as stunting its growth.

This case study provides the opportunity to assess the critical corporate communications function of issue management for McDonald's. More specifically, the case explores the company's strategic communication responses to more than 15 years of criticism from mainstream and marginal advocacy and activist groups for promoting obesity and health problems among the populace at large.

1. History

1.1 The Early Years: 1950-1964

The first McDonald's hamburger stand was owned and operated by two brothers, Dick and Mac McDonald, in California in the early 1950s. In 1954, Ray Kroc was an exclusive distributor for a milk shake mixer used by the McDonald brothers. Kroc visited the McDonald's brothers' establishment and observed first-hand how they used his milk shake mixers to serve a large number of customers quickly. Realizing that opening more McDonald's hamburger stands would mean multiple sales of his milk shake mixer, Kroc suggested the brothers expand their business. When they agreed, Kroc volunteered to take charge of opening a chain of new McDonald's hamburger stands.¹²

One year after that visit to California, Kroc opened a Des Plaines, Illinois McDonald's restaurant.¹³ The explosive, rapid growth of McDonald's is evidenced by the 100th restaurant being opened only four years later in 1959. Success continued, and Ray Kroc purchased all rights to McDonald's in 1961 for \$2.7 million. By 1963, the fast food phenomenon had sold a billion hamburgers, producing a net income in excess of \$1 million.¹⁴ Also in 1963, McDonald's introduced Ronald McDonald®, a clown character designed to engage and delight children.¹⁵

1.2 Public Owned Company and Industry Leader: 1965-1970s

McDonald's went public in 1965, and the corporation's tremendous success and exponential growth would continue over the next 3.5 decades. On the first day of trading McDonald's stock, 100 shares cost a total of \$2,250. By 2003, those same 100 shares had grown to 74,360 shares with a value of more than \$1.8 million.

By 1972, McDonald's assets exceeded \$500 million and sales surpassed the \$1 billion mark. A new McDonald's restaurant was opening every day.¹⁶ Recording the highest system-wide sales among the top 100 chains in 1972, McDonald's commanded 16.7% of the total fast food market.¹⁷

Part of the company's exponential growth was attributed to going international.¹⁸ In 1967, the first McDonald's outside of the United States opened in Richmond, British Columbia; many more international restaurants followed. Clever marketing, tasty products, and super-fast service underpinned McDonald's success. Now a household name, the Big Mac™ was introduced in 1968, followed by the Egg McMuffin™ in 1973, and the Happy Meal™ for children in 1979. In the 1970s McDonald's continued innovations in convenience and speedy service, establishing the first drive-through. The company was even innovative in philanthropy, opening the first Ronald McDonald House™ in 1974 for the families of critically ill children needing a place to stay while young patients were undergoing medical treatment.

Operationally, much of McDonald's early growth was attributed to Kroc's vision and leadership in establishing an efficient franchise operation. McDonald's was able to offer customers, employees, and managers a maximum degree of efficiency, calculability, predictability, and control through non-human technology.¹⁹ Consumers were quick to accept McDonald's as a branded product serving the same food, atmosphere, and value at each and every location.²⁰

1.3 Continued Expansion: 1980s

McDonald's entered the 1980s as the fast food industry leader with 18%—triple the share of its closest competitor, Burger King™.²¹ Further attesting to its mega-

corporate stature, McDonald's Corporation was added to the 30-company Dow Jones Industrial Average in 1985.²²

McDonald's innovative advertising strategies further propelled its growth. In the 1970s, customers were told "You Deserve a Break Today™," a message tied into a society with families looking for convenience as more women joined the work force.²³ During the 1980s, McDonald's continued to tap into cultural change through public messages that reflected the values of mobility, economy, and convenience. While Wendy's™ and Burger King provided intense competition in the early 1980s, McDonald's emerged as the clear winner in system-wide sales due to "advertising messages that symbolically reconstituted the family and relocated it under the golden arches."²⁴ McDonald's became the place for *being* a family.²⁵

In the 1980s, as competitors adopted McDonald's recipe for success, ever-more sophisticated differentiation strategies emerged.²⁶ While most menu options had been duplicated by other fast food companies, McDonald's chose marketing communication strategies centered not on products, but on human needs and feeling. The theme "McDonald's and You—We Grew Up Together™" evoked McDonald's as part of the family experience. Advertisements featured vignettes and slice-of-life stories.

1.4 Issue Brewing with the "McLibel" Suit: 1990s

By 1990, more than seven cents out of every dollar spent by Americans on food consumed outside the home was spent at McDonald's.²⁷ McDonald's per share stock price was \$14.63 in 1994 and rose to its all-time high of \$40.31 in 1999.²⁸ During that same time period, total revenues rose from \$8,321 million (1994) to \$13,259 million (1999).

McDonald's had always been adept at attracting children using a formidable combination of child-friendly advertising showcasing the Ronald McDonald character as well as child-focused products like the Happy Meal, which came with child-sized portions and a free toy for the kids plus a lower price tag for parents. The ubiquitous Ronald McDonald is not confined to television, but has made countless personal appearances at events, school programs and restaurant openings around the globe. By 1999, Ronald McDonald had his own home video series and Internet site.²⁹ In Australia, where the number of fast food restaurants roughly tripled during the 1990s, one survey revealed that half of the nation's nine- and ten-year-olds thought that Ronald McDonald knew what kids should eat.³⁰ A study in the 1990s showed that 96% of American children recognized Ronald McDonald.³¹

As the 1990s dawned, Shelby Yastrow, a Senior Vice President at McDonald's, reported that McDonald's owed its success to sticking to what it does best.³² He reported that top management at the corporation "tastes and discusses the sandwiches instead of worrying about the economy, politics and demographic trends."³³ He also advocated a program of knowing when to leave well enough alone, saying that if you are happy with where you are in the present, figure out how you got to that point and do the same things to prepare for the future. Shelby did, however, acknowledge the need to embrace change when necessary. By the early 1990s customers' new tastes and nutritional concerns compelled McDonald's to expand its product range to include salads, decaffeinated coffee, skim or two percent milk, and fish and chicken sandwiches.

All was not perfect for McDonald's in the nineties. It had become the target of activists and advocacy groups that criticized the fast food giant for a range of evils

including: paying low employee wages and providing poor working conditions, resisting unionization attempts, encouraging low farm labor wages, enabling (albeit passively) cruelty to animals through its reliance on so-called factory farms that mass-produce meat and poultry, and providing unhealthy food high in fat and sugar. The first major attack on McDonald's came from a Greenpeace activist group in England in a pamphlet titled, "What's Wrong with McDonald's? What They Don't Want You to Know." Labeled as libelous by McDonald's, a major court case against two of the protestors turned into a classic David-and-Goliath struggle in which McDonald's was cast at the corporate bully. Even though the final judgment in the case favored McDonald's, its reputation suffered internationally, precipitating the first institutional acknowledgement of a link between the type of food McDonald's served and heart disease in the form of the ruling made by an English appellate court.³⁴ The publicity was persistently negative and globally pervasive, with McDonald's cast, for the first time, as a transnational villain. The stage was set for a long and ugly battle on the issue of fast food, nutrition, and health.

1.5 The Health and Nutrition Movement Gains Momentum: Late 1990s -2003

The success and ubiquity of the fast food industry catapulted it into the increasingly prominent public health issue of nutrition and obesity in the developed world. In the new millennium, McDonald's remains the world's most recognized brand—more so than the Coca-Cola™.³⁵ While cookie, candy, and ice cream manufacturing companies are ostensibly all in the business of producing food with questionable nutritional value, advocacy groups focused on nutrition and obesity concerns are much more interested in challenging the major fast food players. By the mid-2000s, one in four Americans visited a fast food restaurant *every day* and spent more than ever. While

Americans spent 3 billion a year on fast food in 1979 they now spend more than \$110 billion per year—an astronomical increase even after accounting for inflation.³⁶

The “McLibel” suit of the 1990s was just the start of a serious challenge to McDonald’s for providing fare that was dangerous to consumers’ health. In 2001, Eric Schlosser released *Fast Food Nation*, a best-selling book critical of the fast food industry. In 2002-2003, a group of obese American teenagers sued McDonald’s in the so-called “McLawsuit,” alleging that the corporation caused their obesity, diabetes, coronary heart disease, high blood pressure, elevated cholesterol intake, related cancers, and/or other detrimental health effects.³⁷

1.5a Repercussions

From the high of \$40.31 per share in 1999, McDonald’s stock price started a three-year long downward spiral, reaching a low of \$16.08 in 2002.³⁸ In its 2000 Annual Report, McDonald’s reported that global fears concerning the spread of Bovine Spongiform Encephalopathy (BSE)—mad cow disease—was responsible for stock not performing well.³⁹ In 2001, McDonald’s Annual Report cited both the continuing cloud over beef safety and the strong American dollar for disappointing sales growth.⁴⁰ New menu items introduced in 2001 were, among other things, unapologetically high in fat: the McPhilly Cheesteak™, the Cheddar Bacon Sausage McMuffin™, Chicken Strips™, and Tin Roof Waffle Cone Sundae™.⁴¹

By 2002, McDonald’s posted its first quarterly loss *ever*.⁴² McDonald’s responded to the historic loss with a cost-cutting strategy that included terminating 600 jobs and closing 175 stores.⁴³ McDonald’s cost-cutting extended to suppliers, even demanding that its ad agencies cut their fees by as much as 25%. McDonald’s new CEO,

Jim Cantalupo, attributed McDonald's disappointing financial performance due to weak economic conditions and the nature and size of the business.⁴⁴ He did not openly address the continuing effects of the "McLawsuit," including the demonization of McDonald's across traditional and new media outlets; in the debate raging over obesity, the McDonald's brand had become the biggest, baddest target of all. Cantalupo did, however, call for a revised business plan, with the aspirational label *The Plan to Win* (CITE). A key component of this plan was the provision of a more varied menu with new healthy choices. Salads were made a permanent menu item for the first time in the organization's history.⁴⁵ The addition of white chicken meat and salads in 2003 contrasted markedly with the fatty-food menu items introduced in 2001.

1.6 2004 to Present

In 2004, some much-needed good business news came for McDonald's and other fast food companies when a congressional ruling banned lawsuits by obese customers alleging that fast food restaurants are responsible for their conditions.⁴⁶ This ruling limited lawsuits that could have potentially resulted in financial ruin across the fast food industry. The bill passed 276 to 139, and a comment by the bill's author, Rep. Rick Keller, R-Florida echoed McDonald's view that consumers need to embrace the principle of personal responsibility for their eating choices.⁴⁷

Unlike Congress, the court of public opinion was not prepared to give McDonald's a break and more bad news came in the form of Morgan Spurlock's documentary *Super Size Me*. Just as media coverage of the 2002 lawsuits fueling the obesity debate had run its course, and McDonald's had launched its *Plan to Win* business initiative, *Super Size Me* hit major theatres in 2004 with a scathing, direct attack on

McDonald's regarding the issue of health and nutrition. The movie attracted both audiences and critical acclaim, winning honors at the Sundance Film Festival and an Oscar nomination. Other lobbyist and advocacy groups joined *Super Size Me* director Morgan Spurlock in pushing the message that McDonald's food was bad for everyone.⁴⁸

In spite of its tarnished reputation, McDonald's overall performance from 2003 to the present has shown modest but continuous improvement. The per share stock price increased in 2004 from \$16.08 in 2002 to \$24.83 and continued to rise to \$32.06 in 2004 and to \$33.72 in 2005. In an article titled "Supersized PR," *Advertising Age* reported that McDonald's sales grew "despite the flurry of negative publicity surrounding government probes on obesity, the low-carb diet craze and the theatrical release of *Super Size Me*".⁴⁹ From 2003 to 2006, McDonald's continued its three-year run of growth with 5-6% per quarter sales increases on a consistent basis.⁵⁰

McDonald's return to growth is tempered when considering other factors. For example, after ten years of joint marketing, Disney® will not renew its exclusive agreement to provide Disney character toys in Happy Meals.⁵¹ McDonald's vehemently denies that the non-renewal has anything to do with Disney wanting to distance itself from the nutrition and obesity controversy surrounding McDonald's.⁵² Gains made by McDonald's compare poorly with the growth of some smaller competitors. Despite its number one ranking in terms of system-wide sales in 2005, McDonald's was ranked number 29 in growth.⁵³ There is evidence of changing preferences in variety and choice, fueled in part by the health and nutrition debate. Fast-food companies such as Chipotle® (owned in part by McDonald's Corporation), Buffalo Wild Wings®, Panera Bread®, Panda Express®, Quiznos®, Starbucks®, and Jason's Deli® top the rankings in growth

with double-digit advances. While the big three hamburger establishments—McDonald's, Burger King, and Wendy's—rank one, two and three respectively in system-wide sales, their growth has been modest to non-existent with McDonald's at 5.1%, Burger King at 2.6%, and Wendy's with 0%.

1.7 Corporate Social Responsibility

While McDonald's reputation has taken a beating in the health and nutrition arena, it has a stellar record for good corporate citizenship in other arenas. From the first Ronald McDonald House in the 1970s, McDonald's has built up a formidable social responsibility program. In addition to the Ronald McDonald houses and several Ronald McDonald children's charities, McDonald's sponsors a variety of educational and sports programs.⁵⁴ In 2000, McDonald's ranked number one for social responsibility in *Fortune's* listing of America's Most Admired Companies.⁵⁵ In 2004, *Fortune* ranked McDonald's number 5 in the same category.⁵⁶ McDonald's was named by *Fortune* as one of the top 50 places for minorities to work in 2003 and 2004. There are now more than 259 Ronald McDonald houses in communities around the world and the Ronald McDonald Care Mobile program offers medical, dental and education services to poverty-stricken children in their own neighborhoods.⁵⁷

The question of whether corporate social responsibility initiatives are enough to counter negative perceptions of McDonald's is an important one; most pundits are prepared to offer a resounding "No." Stephen Doherty, the CEO of international PR firm Cohn & Wolfe, said, "I've never seen a reputation tracker for food companies that didn't have McDonald's ranking near, or at, the bottom. Climbing out of a hole that deep and longstanding requires a Herculean effort. The fundamental challenge lies in the

demonisation of its core products over the past five years. You can spend millions on CSR [corporate social responsibility] and community work, but that counts for very little if burgers and fries remain 'evil' in the eyes of the public” (p. 15).⁵⁸

2. The Issue of Fast Food, Nutrition, and Health

The fast food sector has been right up there with the oil industry and tobacco companies as a target for negative press.⁵⁹ In 2003, *Fortune* magazine even ran a cover story asking, “Is fat the next tobacco?”⁶⁰ Concerns about the nutritional content of fast food have risen in concert with rising obesity rates.⁶¹ The Executive Summary of the “Calories Count: Report of the Working Group on Obesity” summarizes the problem:⁶²

Since the late 1980s, adult obesity has steadily and substantially increased in the United States. Today, 64 percent of all Americans are overweight and over 30 percent are obese; in 1988 through 1992, fewer than 56 percent were overweight and fewer than 23 percent of American adults were obese. The trends for children are even more worrisome. Recent research by the U.S. Centers for Disease Control and Prevention (CDC) shows that 15 percent of children and adolescents aged 6 to 19 are overweight--double the rate of two decades ago. As Americans get heavier, their health suffers. Overweight and obesity increase the risk for coronary heart disease, type 2 diabetes, and certain cancers. According to some estimates, at least 400,000 deaths each year may be attributed to obesity.⁶³

While there is no single cause for obesity, or single solution to reduce its incidence in America, the FDA’s Working Group on Obesity suggests voluntary nutritional labeling at the point of sale for restaurant foods so that consumers can accurately assess the amount of calories and fat content. They also advocate that restaurants replace saturated, or “trans” fats used in cooking oils with zero/mono and/or polyunsaturated fats, which do not raise “bad” cholesterol (low density lipoprotein, LDL) and even have health benefits when eaten in moderation.⁶⁴

Fast food chains have long been targeted as providing “junk food” high in calories and trans fats, which thereby contribute to the growing problem of obesity and health

problems such as high cholesterol, diabetes, and heart disease. The pervasiveness of the perception linking fast food to unhealthy diets is illustrated in a humorous brief from *AARP: The Magazine* naming the “Riskiest Places on Earth.”⁶⁵ On their list is “fast food drive-through, but only if you order food” (p. 74).

The recommended calorie intake for an average female is approximately 1400-1700 calories per day with 20% of calories from fat (no more than 30-40 grams). For an average male, it is 1800-2200 calories per day with the same 20% from fat (no more than 40-50 grams).⁶⁶ McDonald’s hotcakes with syrup and butter provide 700 calories, 33 grams of fat, and 45 grams of sugar.⁶⁷ The chocolate triple shake has 1,160 calories and 27 grams of fat, more than half the recommended daily amount for a woman.⁶⁸ The Big Mac serves up 560 calories and 30 grams of fat.⁶⁹ A large order of French fries contains 570 calories and 30 grams of fat.⁷⁰

The average American gets approximately 45% of his or her calories from fat, exceeding standard health recommendations by 25%.⁷¹ Trans fats in cooking oils, such as those used by McDonald’s are considered artery-clogging and are linked to heart disease.⁷² They significantly raise the level of “bad” cholesterol. The *Miami Herald* reported that trans fats “are the new boogeyman of the table, a fat so insidiously unhealthy that one Harvard scientist calls it ‘metabolic poison.’”⁷³ Research has shown that trans fats contribute to 30,000 U.S. deaths per year.⁷⁴

The issue of diets high in fat and sugar is linked to fast food partially because of fast foods’ popularity with Americans, particularly adolescents. One in four children and 40% of teenagers eat fast food daily.⁷⁵ It has also been shown that 90% of children eat at

McDonald's at least one time each month. Furthermore, children see \$3 billion of fast food advertising in a single year.

3. Opposition

3.1 In General

The issue of fast food as an enemy of the health and nutrition standards in developed nations has been established and growing for well over a decade. Consequently, many organizations, associations, government agencies, consumer groups, activists, advocacy groups, bloggers, and others continue to oppose so-called “junk” or fast food. Opposition to the type of food served by fast food restaurants such as McDonald's has become popular—even politically correct. Just some of the groups advocating for healthier nutrition for the American public include the American Dietetic Association, Center for Science in the Public Interest, the Food and Drug Administration, the Department of Health and Human Services, the Physicians Committee for Responsible Medicine, and the Harvard School of Public Health. Non-institutional opponents have multiplied, forming online communities using new media outlets such as blogs, personal web sites, and discussion forums. These online activists produce literally thousands of commentaries, much of which targets the fast food industry.

A battle is raging against food that is high in calories and trans fats because of the inherent health risks in consuming such foods. The challenge to McDonald's reputation, if not its business, is indeed fundamental. For the sake of parsimony, this case study focuses only on the major turning points in the development of this issue. These events are now elaborated.

3.2 McLibel

In 1994 a Greenpeace chapter in England accused McDonald's of peddling food harmful to human health and well-being. The group had produced a pamphlet entitled, "What's Wrong with McDonald's? What They Don't Want You to Know." Some protestors had then distributed the pamphlet on the streets of London. In a heavy handed response to this otherwise isolated and unremarkable incident, McDonald's Corporation issued writs to five protestors demanding that they either apologize for their statements against McDonald's or appear in court as defendants in a libel suit McDonald's filed against them. Three of the five protestors agreed to apologize, but two—Helen Steel and Dave Morris—refused and went to trial. Steel and Morris had no legal representation, virtually no expense funds, and they were denied their request for a jury trial.⁷⁶ Still, the relatively impoverished and inexperienced defendants managed to put up a substantial legal argument against McDonald's in a trial that would run for two and a half years, becoming the longest-running English trial in history at that time. Although Steel and Morris failed to prove all the accusations made in the pamphlet were true and the court ruled in McDonald's favor, the court of public opinion ruled decisively against the fast food giant. Two samples of the extensive and damning press coverage of McDonald's role in the the "McLibel" suit are shown in Appendix 3.

The McLibel suit presented a tantalizing David-and-Goliath media story that pitched McDonald's formidable legal team and million dollars outlay in battle against two "ordinary" young citizens who represented themselves with little financial support. The *Observer* reported that the court case made McDonald's look like a bully and was, in sum, a public relations disaster.⁷⁷ Steel and Morris then took the British government to

the European Court of Human Rights to defend the public's right to criticize corporations and won. In a recent update, on February 2, 2005 the *Guardian* newspaper described the victory in the following way:

It was the greatest legal victory against corporate power in living memory. Last week, two penniless activists, Dave Morris and Helen Steel, persuaded the European court of human rights that Britain's libel laws, under which they had been sued by McDonald's, had denied them their right of free speech. The law will probably have to be changed, depriving the rich and powerful of their most effective means of stifling public protest. So why aren't they hopping mad? The company that sued Dave and Helen will say only that "the world has moved on ... and so has McDonald's".⁷⁸

In 1999, the Court of Appeals ruled that it was true that eating enough McDonald's food could contribute to a diet high in fat, which carries with it the risk of heart disease. Again, the press picked up the story. *Associated Press* reported:

A pair of vegetarian activists won a partial victory Wednesday in their struggle to overturn a court decision that they libeled McDonald's Corp. by accusing it of selling food that can cause heart disease. Three Court of Appeal judges ruled that Dave Morris and Helen Steel were justified in claiming that regular customers of the hamburger chain face a heightened risk of heart trouble.⁷⁹

Five long years after an amateurish pamphlet precipitated a long and bloody court battle that built the media's agenda on issues unfavorable to McDonald's, spurred development of the McSpotlight web site where the original pamphlet was reproduced and easily distributed to a worldwide audience, and provided the material for a feature length documentary released in 2005, *McLibel*, Steel and Morris's message continued.

3.3 McLawsuit

In 2002 and 2003, a group of obese teenagers filed suit in a series of court cases against McDonald's, alleging that the fast food giant had caused their weight problems.⁸⁰

The teens had eaten at McDonald's three to five times per week over a period of six years and charged that:

- "The combined effect of McDonald's various promotional representations during this period was to create the false impression that its food products were nutritionally beneficial and part of a healthy lifestyle if consumed daily;
- McDonald's failed adequately to disclose that its use of certain additives and the manner of its food processing rendered certain of its foods substantially less healthy than represented; and
- McDonald's deceptively represented that it would provide nutritional information to its New York customers when in reality such information was not readily available."⁸¹

The court ruled in McDonald's favor. The judge for the Second Circuit explained that it was impossible to blame McDonald's for obesity without considering individual health variables such as exercise, family history, and overall dietary habits. Again, however, the negative publicity and consequences of the lawsuit would prove a public relations nightmare for McDonald's. Media coverage of the lawsuit heightened attention to criticism of McDonald's approach to nutritional labeling and child-focused advertising strategies. Morgan Spurlock maintains that this lawsuit was the catalyst for his documentary, *Super Size Me*.

3.4 *Super Size Me*

The film *Super Size Me* documents the experiences of journalist and director, Morgan Spurlock, as he makes a 30-day commitment to eating only McDonald's food. Spurlock's objective was to explore the issues of corporate responsibility, nutritional education, and "how we as a nation are eating ourselves to death."⁸² Making no pretense of objectivity, Spurlock set out to prove that eating at McDonald's is a health hazard. A physician supervised his health and weight changes throughout the experience. He gained 25 pounds and suffered a variety of health problems. Spurlock uses the

documentary to criticize McDonald's marketing to children.⁸³ In the film, Spurlock also calls for McDonald's to provide easy access to nutritional information and to cancel the super sizing option.

Super Size Me was released on May 7, 2004 to critical acclaim and box-office success. Its worldwide total theatre gross from release date to a close date of September 30, 2004 was \$28,575,078,⁸⁴ which is impressive given the modest production budget of \$65,000. Furthermore, *Super Size Me* won Best Director at the 2004 Sundance Film Festival, Best New Director at the Edinburgh International Film Festival, the MTV best News Documentary award, and was nominated for an Academy Award.⁸⁵

The powerful punch of *Super Size Me* continued past the box-office release of the film. Not only was distribution continued beyond theatres with a DVD available through companies such as Blockbuster and NetFlix, Spurlock scheduled tours to schools across the country to get his anti-McDonald's message out to young people.⁸⁶ In addition, two modified versions of the film incorporating educational lessons for middle and high school students were also made available.

The *Super Size Me* web site parodies McDonald's in every way with colors that mimic McDonald's traditional red and yellow (See Appendix 4). It features a game the object of which is for players try eat as many burgers as they can. Traditional movie ratings are replaced with new categories including "F for Fat Audiences" and the tagline "Some food may not be suitable for children."

3.5 *Fast Food Nation and Chew on This*

Author Eric Schlosser first started what would become the book and then movie, *Fast Food Nation*, as an article for *Rolling Stone*.⁸⁷ Schlosser, teaming with co-author

Charles Wilson, also produced the book, *Chew on This*, which duplicates the message of *Fast Food Nation* specifically for the 11- to 15-year old audience.⁸⁸ *Fast Food Nation* does not target McDonald's specifically as did *Super Size Me*, and it covers a much wider range of issues beyond nutrition and health. Both the book (published in 2001) and the movie (released in November of 2006) present scathing attacks on the fast food industry. The movie's tag line states, "The truth is hard to swallow."⁸⁹

Along with targeting fast food as the cause of the obesity epidemic, Schlosser criticizes fast food chains' marketing efforts to reel in susceptible youngsters.⁹⁰ The movie has been released to critical acclaim, garnering Official Selection status at the Cannes Film Festival in 2006.⁹¹ A *New York Times* article called *Fast Food Nation* the "most essential political film from an American director since Michael Moore's 'Fahrenheit 9/11.'"⁹² Promotional materials for the movie label it "a groundbreaking work of investigation and cultural history that may change the way America thinks about the way it eats."⁹³

The book version of *Fast Food Nation* geared toward children, *Chew on This*, hopes to accomplish the same ends. The publisher states in a press release that:

Chew on This addresses some of the most serious issues affecting our society, and its strong, fact-based narrative style, startling statistics, and eye-opening photographs will keep readers turning the pages. The average American child views forty thousand television commercials per year, almost half of which promote junk food. There are roughly nine million overweight or obese children in America and there's no reason to think that this number is shrinking.⁹⁴

4. Responses by McDonald's

4.1 Denial and Avoidance

McDonald's declined an invitation to appear with Schlosser, the author of *Fast Food Nation*, on NBC's *Today* show,⁹⁵ providing instead a statement of facts and an invitation for them to visit the McDonald's web site. Schlosser commented that McDonald's has "refused to discuss any of the issues raised by my work or to appear in any public forum with me."⁹⁶

Even the appearance of compromise or consensus with critics is denied by McDonald's. For example, the company insisted that its decision to withdraw the super size option just six weeks after *Super Size Me* premiered had nothing to do with the film's release.⁹⁷ Additionally, *Super Size Me* called for McDonald's to make nutritional information easily accessible to customers; McDonald's consistent response message was that it has offered nutritional information available for over 30 years.⁹⁸ Easy-access nutritional information labeling was finally introduced in 2006 in Italy for the winter Olympics. Plans to have such labeling available in 20,000 McDonald's restaurants within 12 months were announced.⁹⁹

McDonald's claim that they are not concerned with any negative media coverage the 2006 release of the film *Fast Food Nation* generates.¹⁰⁰ McDonald's reported having no proactive public relations initiatives planned regarding the release of the film. Walt Riker, Vice President of Corporate Communications and Media Relations at McDonald's explained in a *PR Week* article that:

Our results show that when we focus on our restaurants and our customers, we will do well. The four-year run we've had on our business is the best we've ever had. The key is not losing focus on your core business. We have media days and fact sheets that are available through our Web site, as well as platforms that will

afford us any opportunity to talk about what's important to McDonald's. We cannot be overly concerned about anyone else (p. 8).¹⁰¹

In a press conference McDonald's CEO, Jim Skinner, suggested that McDonald's needed to do a better job of communicating its story to consumers and the media.¹⁰² The message that "we need to do a better job of communicating our story" became the prime response to the issue of health and nutrition and was repeated by several top McDonald's corporate officers. At the same press conference Riker reported that McDonald's theme in ramping up its media and consumer relations program was to continue the corporate commitment to transparency that has been in place for years. McDonald's initiative for better media and consumer relations included increasing media tours, increasing the number of corporate responsibility reports, and implementation of an Open Doors program where customers can get behind-the-counter tours of McDonald's restaurants.

Citing an *Associated Press* report *Bulldog Reporter* indicated that McDonald's took a rare offensive stance to counter negative publicity expected from the new children's book, *Chew on This*, and soon-to-be-released film version of *Fast Food Nation*.¹⁰³ At McDonald's annual meeting in 2006, CEO Jim Skinner urged shareholders not to believe the criticism against fast food and promised that McDonald's would be more aggressive and creative in setting the record straight. While an article in *Advertising Age* reports that McDonald's is "running scared" over the publication of *Chew on This*, Riker, Vice President of Corporate Communications and Media Relations, denies it. He does, however, vow that "if there's misinformation out there, one of our jobs is to correct it."¹⁰⁴

An article by the *Wall Street Journal* reports that McDonald's plans to take a stronger defensive strategy in light of the release of the movie *Fast Food Nation* and

children's book *Chew on This*. One reason for this new aggressive response strategy may be because McDonald's was caught "flat footed" by the book *Fast Food Nation* in 2001 and documentary *Super Size Me* in 2004.¹⁰⁵ Another reason may be because the book *Chew on This* targets McDonald's most valuable customers, children.¹⁰⁶ A memo outlining a plan sent by McDonald's to franchisees referred to possible attempts to "discredit the message and the messenger" in preparation for the release of the movie, *Fast Food Nation*, and referred to the release of the film as a "big concern to us."¹⁰⁷ McDonald's has denied the memo.

The publisher of *Chew on This* claimed that the fast food industry's response to the book has been a "Swift Boat-style campaign against Eric [Schlosser, the author] rather than focusing on ways to improve adolescent health. Clearly the industry believes that when you cannot refute the message, it is better to go after the messenger."¹⁰⁸ An example of this type of tactic by McDonald's surfaced when their Vice President of Corporate Communication attended a book signing event Schlosser held at a school.¹⁰⁹ The VP sat next to a reporter covering the event and explained to the reporter that Schlosser was not presenting a balanced perspective or providing an accurate portrayal of McDonald's.

4.2 McDonald's Blog

One initiative toward more open dialogue about the issues for which McDonald's has been criticized for more than a decade is a new corporate blog introduced in February, 2006 by McDonald's Senior Director for Corporate Responsibility, Bob Langert.¹¹⁰ Langert announced:

"We want to open our doors to corporate social responsibility at McDonald's—to share what we're doing and learn what you think. I want to use this blog to

introduce you to some of the people, programs, and projects that make corporate social responsibility a reality at McDonald's—to take you along with me as I engage with some of our internal and external stakeholders in various parts of the world and to highlight our accomplishments, as well as the challenges we continue to face.”¹¹¹

Skepticism about the degree of openness McDonald's would actually provide on the blog was evident in a *Bulldog Reporter's* headline regarding the announcement that read, “Embrace or exploitation?” The blog entry for “Engaging in the Global Obesity Dialogue” stresses that health professionals erroneously use McDonald's as a generic term for unhealthy food consumption; that they don't seem to know what McDonald's serves; and they don't understand what McDonald's is doing to be “part of the solution.”¹¹² Like CEO Jim Skinner and Vice President of Corporate Communications and Media Relations, Walt Riker, Langert emphasized that McDonald's strategic direction is to “do a better job of telling our story.” The audience response comments posted on the blog regarding the obesity issue were favorable to McDonald's (See Appendix 5).

4.3 Action Promised but Not Delivered

In 2002, McDonald's stated that it would be replacing its trans fat oil with healthier cooking oils. This announcement caused enough complaints from loyal customers that McDonald's did not follow through with its promise.¹¹³ Four years later, McDonald's maintains that they are still working on developing a trans fat alternative that would not diminish the taste and quality of their world-famous French fries. McDonald's may soon be forced to make the switch they promised long ago; in 2006, The Food and Drug Administration began pushing a proposal to ban trans fats from restaurants. To put this action in context, trans fats are being removed from many fast

food kitchens as companies try to improve offerings to health-conscious diners. Wendy's and Kentucky Fried Chicken® have said they were switching to zero-trans fat oils.¹¹⁴ Taco Bell® announced the change and shares of its parent company rose 16 cents to \$62.29 on New York Stock Exchange.

4.4 Marketing Actions

While McDonald's has excelled in taking decisive and aggressive action in its corporate marketing programs. Indeed, the fast food industry has a long-established tradition of being marketing innovators.¹¹⁵ Following McDonald's financial losses in 2002, the *Plan to Win* initiative was introduced in 2003. The "*I'm Lovin' It*"™ advertising campaign that targeted young adults, women and families was also introduced. McDonald's recognized changing consumer taste preferences and started providing salads and "other wholesome offerings"¹¹⁶ McDonald's introduced Go Active! Happy Meals™ for adults, promoted a walking program, and gave out free pedometers. They produced a program titled "Get Moving with Ronald McDonald," and used a cartoon character, McMunchright™, to present health and fitness messages on television programs targeted to children. Additionally, at the end of 2003, McDonald's appointed a Director of Worldwide Nutrition, Dr. Cathy Kapica.¹¹⁷

By 2004, McDonald's had introduced a key component of the Plan to Win, the Balanced, Active Lifestyles initiative. The initiative addressed three critical areas: adding more menu choice and variety, providing nutrition education, and supporting physical activity.¹¹⁸ McDonald's still resisted placing nutritional information directly on their product packaging, stating that they have been providing nutritional and ingredient

information for over 30 years, and that such information was accessible through brochures, tray liners, the corporate web site, and customer service center.

As far back as 1986, an executive working with a public relations firm handling the McDonald's account recommended a focus on "balance" with the following explanation:¹¹⁹

McDonald's should attempt to deflect the basic negative thrust of our critics by creating a scenario where we take the high road. How do we do this? Talking balance. We can't - at this stage of the situation - really address or defend nutrition. We don't sell nutrition and people don't come to McDonald's for nutrition. Rather than fight a defensive war of attrition by responding to constant nutrition attacks, let's not even deal with it.¹²⁰

In 2005, McDonald's modified their advertising message to "It's What I Eat and What I Do™...I'm Lovin' It™" to reflect a new public awareness campaign to help consumers understand components of living active lifestyles.¹²¹ As part of the campaign, McDonald's signed several celebrity brand ambassadors such as the music group Destiny's Child, tennis champion Venus Williams, and fitness expert Bob Greene, among others. In addition, several press events were staged to showcase the introduction of McDonald's Premium Salad line.

The Asian salad was introduced in 2006 and heavily promoted through consumer advertising. Going into 2006, McDonald's reaffirmed its commitment to "providing information on nutrition and promoting physical activity to support our customers' needs to make the best choices for their lifestyles."¹²² The *Wall Street Journal* reported in April of 2006 that:

McDonald's has spent the past few years revamping its menu to include more-nutritious foods such as apple dippers and a new line of premium salads. It is also shifting its marketing to emphasize exercise. It has repositioned Ronald

McDonald as an "ambassador of balanced lifestyles" and depicts him in publicity photos in a running position.¹²³

In 2006, McDonald's also introduced nutritional labeling directly on its products in a roll-out campaign that would be in effect in 20,000 of its restaurants in a one-year time period.

McDonald's has also announced that it will collaborate on research and education initiatives with the Scripps Research Institute to fight childhood obesity and Type 2 diabetes.¹²⁴ Ralph Alvarez, President and Chief Operating Officer of McDonald's, stated that "McDonald's overall goal is to make a difference in the lives of children. The collaboration with Scripps Research is an extension of McDonald's long-standing commitment to the well-being of children around the world."¹²⁵ Of the press releases available on McDonald's web site that deal with the issue of nutrition and health, all describe the actions McDonald's has taken to promote healthy lifestyles.

5. McDonald's Challenge

The main question facing McDonald's is whether they can continue their world dominance in the fast food industry by promoting active, healthy lifestyles when their core business comprises products that continue to be linked to obesity and related health problems. McDonald's has done a laudable job in marketing the concept of consumer choice and in establishing a generous corporate social responsibility program. However, in the U.S. at least, McDonald's has not reduced advertising to children, reformulated its trans fat cooking oil, or lowered fat, salt, and/or calorie counts on its core products. Rather than diminishing, the issue of health and nutrition continues to grow and McDonald's remains a key target in 2006.

Teaching Notes

1. Introduction

Studying the case of McDonald's Corporation in regard to the issue of health and nutrition provides an excellent opportunity for students to learn issues management as it affected (and continues to affect) this leading multinational corporation. The case focuses on oppositional forces criticizing McDonald's for promoting and providing unhealthy fare and looks across disciplines for challenges that have been presented legally, legislatively, through movies, and multi-media coverage. In other words, this case study demonstrates the many dimensions and challenges public relations practitioners can face in terms of continuing issues management. Through this case, students can learn the need for integrating an effective public relations perspective into corporate communications and overall corporate strategy as a way of adjusting to criticism by external publics

The McDonald's case is unique in also providing a blueprint for students to learn the concept of corporate product adaptability in light of overarching societal trends. One element of issues management—that of environmental scanning—provides for monitoring the pulse of public opinion on an issue in order to plan proactively to coalesce with that trend. In this case, with the question becoming what to do when your product has been deemed harmful to consumers' health, McDonald's has had to incorporate changes in its very product range. In other words, the McDonald's case provides instruction relating to the need for corporations to adapt in order to survive when a societal issue drives consumers' preferences in a new direction.

The McDonald's case also invites exploration of advertising and promoting a

potentially harmful product heavily to children. What may be acceptable in terms of choice for adults may not glide by as easily when the market is children.

McDonald's actions are frequently inconsistent with recommended best practices in public relations in general and issues management in particular. This is illustrated clearly when students attempt to apply the Page Principles to explore the fast food giant's actions over the last decade or so. Many questions can be posed to encourage students to think critically about strategic and tactical options that may have better served McDonald's in terms of dealing with a controversial issue in a manner that fostered relationship-building among diverse external publics. For example, McDonald's response to the nutrition and health issue can be analyzed in terms of timeliness, openness, transparency, and trust.

2. Purpose of the Case Study

1. To give students the opportunity to analyze effective issues management in a consumer market.
2. To identify how issues develop over time, and how a corporation may become vulnerable to an issue.
3. To demonstrate to students how application of the Page Principles could improve McDonald's public relations efforts in light of the nutrition and health issue.
4. To help students understand that:
 - a. Issues do not develop overnight, and constant monitoring of an issue provides opportunity to incorporate proactive, rather than defensive, responses early in the process.The case also shows students the continuing nature of issues as one way issues differ from traditional crisis situations.

- b. Issues need to be handled by the same principles that guide effective relationship building; that is with openness, trust, involvement and commitment.
- c. Suing for libel can backfire and do more harm than the original libelous material. It can also cause a local issue to become widely publicized.
- d. Taking timely and decisive action to assuage fears surrounding an issue is the best strategic plan. A corporation should never announce that it is going to make changes to assuage an issue and then not follow-through with those changes.
- e. The same products that built a corporation may be the ones that prove to be the biggest weakness at a later date.
- f. If a corporation markets heavily to children, it will be expected to maintain a higher standard of responsibility than if marketing products only to adults.
- g. With the advent of the Internet, issues grow and spread exponentially because individuals have multiple mass outlets for their opinions and viewpoints.
- h. Attention to issues must go beyond scanning more traditional media channels to include movies and documentaries. Documentaries have gained a foothold into mainstream theatres and thus represent a form of mass-media investigative reporting. Furthermore, movies have a much larger audience now through home-movie DVD distribution through rental companies such as Blockbuster and NetFlix.

3. Overall Synopsis of the Case for Presentation

The issue of growing concern with obesity and health risks caused by diets high in fat and sugar has been critically directed at McDonald's on a mass media scale. The corporation took its first major hit on this issue in the highly publicized "McLibel" suit in England in the mid 1990s. In 2001, Eric Schlosser published a scathing criticism of fast

food in his book, *Fast Food Nation: The Dark Side of the All-American Meal*. The health and nutrition issue attack against McDonald's continued in 2002 when two American teenagers filed a lawsuit against McDonald's claiming that the corporation was responsible for their weight problems. But perhaps the most publicized and widely distributed charge of all came in 2004 when Morgan Spurlock released a motion picture directly aimed at McDonald's, *Super Size Me*, that presented "one man's journey into the world of weight gain, health problems, and fast food."¹²⁶ In 2006, a version of the book *Fast Food Nation* targeted to 11- to 15-year olds, *Chew on This*, was released along with the movie, *Fast Food Nation*.

McDonald's response has been ambivalent in some respects and aggressive in others. The super size option has been cancelled, and the menu has been expanded to include healthier food choices such as premium salads, low fat/skim milk, bottled water, and white meat chicken. A high-budget, ubiquitous advertising campaign has paired active lifestyles with McDonald's under the theme of "It's What I Eat and What I Do™...I'm Lovin' It™." McDonald's has instituted nutritional educational programs, given away pedometers, formed brand ambassadorships with celebrities, and introduced nutritional labeling directly on products. At cursory glance, it might seem that McDonald's has done everything possible for effective issues management. However, the teaching components given below will demonstrate to students both positive and negative strategies and tactics employed by McDonald's in handling the issue of nutrition and health.

4. Teaching Components

4.1 Assignments and Activities

Students should be assigned to read the case in its entirety prior to class discussion. Pre-class preparation or homework assignments could include having students review McDonald's corporate social responsibility blog, McDonald's web site, the *Super Size Me* web site, and/or the McSpotlight web site. Another pre-class assignment could be having students look up at least one organization advocating for better nutrition and then analyze McDonald's web site to see how they address the same issue. If class time permits, it would be beneficial to introduce film clips from *Super Size Me*, *McLibel*, and/or *Fast Food Nation*.

A recommended in-class, group activity would be team analysis of McDonald's Balanced, Active Lifestyles section from their web site (http://www.mcdonalds.com/corp/values/balance/bal_framework__alt.html). The instructor could make handout packets showing some of the pages from that section for each team to analyze in terms of McDonald's utilization of relationship-building components such as openness, transparency, and dialog.

4.2 Explanation of Issues Management

An explanation of issues management such as the following should be presented to start the case study teaching module:

Issues management is a public relations responsibility that falls to a degree under social responsibility as corporations work to solve problems and improve society when confronted by people and organizations that may be offended or against what the corporation says, offers, or does.¹²⁷ The corporation must conduct a situational analysis to determine what needs to be done to repair relationships with external publics and enhance its corporate reputation. A first step in issues

management is listening for threats by issue/environmental scanning. Once an issue is identified, the next step is to determine whether it is something that will affect the organization. If the answer is that it will, then the corporation must give the issue priority in pro-active, timely strategizing.

Choices of response to issues include:

- Acquiescence to demands of opposition—stop doing what is being criticized
- Negotiation with oppositional forces—strive for compromise and consensus
- Confrontation —discredit opposition, put forth arguments against opposition, and/or take legal action against opposition).

4.3 Teaching Points in the McDonald's Case

1. Issues do not develop overnight. *Constant monitoring of an issue provides opportunity to incorporate proactive, rather than defensive, responses early in the process.*

McDonald's had ample opportunity to realize that the issue of health and nutrition was gaining momentum and that they were being targeted. As early as 1986, an executive with a major public relations firm working on the McDonald's account sent a memo to McDonald's referencing a meeting that had been held on nutrition with the recommendation that McDonald's "should attempt to deflect the basic negative thrust of our critics."¹²⁸ Ten years later, the Greenpeace advocacy group in England had specified that one of the things "wrong" with McDonald's was that their food was unhealthy for consumers. Issue scanning would have alerted McDonald's to the growing controversy

surrounding health and nutrition, and McDonald's could have taken proactive steps early in the process rather than reacting defensively at a later date.

Questions for Discussion:

- With advance knowledge of the brewing issue, what proactive steps could McDonald's have taken?
- Why is it advantageous to take action proactively rather than defensively?

2. Taking timely and decisive action to assuage fears surrounding an issue is the best strategic plan. *A corporation should never announce that it is going to make changes to assuage an issue and then not follow-through with those changes.*

A year prior to the release of *Super Size Me*, the National Restaurant Association underscored the need for balance, moderation and physical activity during a meeting held by the Food and Drug Administration and its Obesity Working Group that was designed to find solutions to obesity.¹²⁹ A key discussion focused on the option of providing nutritional labeling on restaurant foods similar to that required for non-restaurant marketed foods.

McDonald's did not introduce nutritional labeling on their products until 2006, two years after *Super Size Me* publicly criticized McDonald's for not providing easy access to nutritional information. Similarly, McDonald's cancelled their super size option only after the release of the movie, *Super Size Me*. Even though McDonald's insisted that the move was not made in response to the criticism made in *Super Size Me*, the timing of their decision speaks otherwise. Lastly, McDonald's promised to introduce a healthier option to the trans fat oil used in cooking their products in 2002, but have not

followed through on that promise four years later. In 2006, the FDA proposed legislation that would ban the use of trans fat oils in restaurants.

Questions for Discussion:

- How could it have helped McDonald's to take decisive action with nutritional labeling, canceling the super size option, and replacing trans fat cooking oil prior to the release of *Super Size Me*?
- Are there occasions when a company may take a hit on an immediate action in order to build better business relationships for the future? The Tylenol case can be mentioned as an example of a company voluntarily taking financial losses in order to build better business relationships in the future.
- Did McDonald's lose credibility by promising to change their cooking oil and then not doing it?
- How can the potential negative impact of changing the taste of their foods with a change in cooking oil be weighted against the health harms of trans fat cooking oil and potential legislation against use of trans fat cooking oils?

3. Issues need to be handled by the same principles that guide effective relationship building--that is with openness, trust, involvement and commitment.

While the strategy of buffering or avoiding criticisms in order to diffuse or disengage a controversy or debate has its merits, there are also downfalls to such a strategy. A downfall would be that public relations communications by McDonald's appears to be lacking in openness and building trust. McDonald's appears to have avoided directly addressing criticisms such as those presented in *Super Size Me* and *Fast Food Nation*. For instance, McDonald's declined an invitation to appear with Schlosser,

the author of *Fast Food Nation*, on NBC's *Today* show.¹³⁰ What McDonald's did do was provide the *Today* show with a statement of facts and an invitation for them to visit the McDonald's web site. Schlosser commented that McDonald's has "refused to discuss any of the issues raised by my work or to appear in any public forum with me."¹³¹ When confronted with unfavorable investigative reporting, McDonald's has consistently denied the published reports. McDonald's has also denied that it took any actions in response to the film *Super Size Me* even though the timing of those actions says otherwise.

As evidenced above, there has been a tendency for McDonald's to communicate in a one way, asymmetrical manner. Their main message has been to be aggressive in "getting out their side of the story," they've negated the impact of criticisms, etc. However, McDonald's has also taken several positive steps toward providing beneficial solutions to the issue of health and nutrition. For instance, McDonald's creation of their corporate social responsibility blog that allows feedback and discussion stands out as a communication tactic designed to build openness and trust with external publics. Furthermore, in the area of marketing initiatives McDonald's has done very well in showing commitment and involvement with the health and nutrition debate. McDonald's introduced several healthy-choice menu items including premium salads and Go Active! Happy Meals™ for adults. They promoted a walking program and gave out free pedometers. They produced a program titled "Get Moving with Ronald McDonald," and used a cartoon character, McMunchright™, to present health and fitness messages on television targeted to children. Going into 2006, McDonald's reaffirmed its commitment to "providing information on nutrition and promoting physical activity to support our customers' needs to make the best choices for their lifestyles."¹³² McDonald's has also

announced that it will collaborate on research and education initiatives with the Scripps Research Institute to fight childhood obesity and Type 2 diabetes.¹³³

Questions for Discussion:

- What additional public relations tactics and strategies might McDonald's initiate to increase openness and trust with external publics?
- If McDonald's actively promotes and advertises active, healthy lifestyles, can that compensate for perceptions of McDonald's as providing unhealthy foods?
- Is it a corporate responsibility to provide an entirely healthy menu, or is it a matter of consumer responsibility to consume less healthy foods in moderation?

4. Suing for libel can backfire and do more harm than the original libelous material.

It can also cause a local issue to become widely publicized.

In issues management, once an issue has been identified and prioritized, there are a number of possible ways of responding that range from acquiescence to confrontation. In the case of the Greenpeace activists hand-distributing the pamphlet, "What's Wrong with McDonald's?" McDonald's chose the harshest of all response strategies by taking legal action against the activists. McDonald's attempted to silence their criticisms through legal means, but the court case only served to draw media attention to those criticisms. In addition, the case became a classic David-and-Goliath struggle with McDonald's looking like a corporate bully attacking defenseless, ordinary people. Representing themselves against the mega-corporation for three long years as the court case continued on, Steel and Morris became folk heroes, while McDonald's looked like a powerhouse of global domination. The media picked up this tale of "the little guy"

against the mega-corporation, and film crews followed the story from start to finish. In 2005, the DVD documentary film, *McLibel*, was released to an international audience.

In effect, McDonald's lawsuit against Steel and Morris built the media agenda on issues unfavorable to McDonald's, negatively affected public perception of McDonald's as a heartless giant of a corporation, and cost McDonald's more than a million dollars.

McDonald's realized its mistake in opting to take aggressive legal action once the court case was completed. Even though the courts ruled in McDonald's favor and imposed a fine of 40,000 English pounds on Steel and Morris, McDonald's made no attempt to collect the fine, which Steel and Morris never paid.

Question for Discussion:

- What actions short of a lawsuit might McDonald's have taken in response to the Greenpeace pamphlet criticizing their company, and why might such actions be better than a lawsuit?
- What financial impact and media coverage should a company consider before pressing legal charges against oppositional groups?

5. Solutions through Application of the Page Principles

5.1 Tell the truth

Denying that *Super Size Me* had any impact on corporate changes that were made following its release does not ring true. Perceptions of non-truthfulness by an organization in the eyes of consumers can be detrimental to any company. McDonald's would have served its purposes better by acknowledging that they, too, were concerned about the high calorie content in the super sized portions and were therefore going to withdraw that option.

One can also note a breach of being truthful in McDonald's claim that they have had nutritional information available for years. As *Super Size Me* demonstrated, a customer wanting nutritional information often had a very hard time getting that information in a McDonald's restaurant. Yes, McDonald's did have truthful nutrition information on charts, posters and sometimes tray liners, but those materials were not consistently available to customers. At best one could say that McDonald's was reluctant to freely distribute nutritional information to customers; at worst that they were trying to hide it. In summary, this point in the McDonald's case shows students that it is not enough to simply produce truthful information—that information must also be accessible to consumers.

Furthermore, McDonald's avoids openly stating that many of its products are high in calories, fat, and/or sugar. By telling the truth (and emphasizing that such products should be eaten in moderation, which McDonald's does do on its web site), McDonald's would gain credibility and enhance its corporate reputation with external publics. Lastly, by not engaging in the issue with critics, McDonald's may look like it has something to hide.

5.2 Prove it with action

McDonald's has reiterated many times that it is a company that is concerned with the health and well-being of consumers. While many marketing actions promoting active lifestyles and menu choices have been initiated, McDonald's has not taken action on the very products that have been determined to be unhealthy. McDonald's has the option to take immediate action to reformulate its trans fats cooking oil and introduce lower fat, salt, and/or calorie counts on its core products to prove its commitment to the health of its

consumers. In particular with the growing attention to childhood obesity, McDonald's should consider introducing healthier options in the Happy Meal in the United States. (In some European countries there is a choice of fresh fruit as the Happy Meal dessert, for example.)

5.3 Listen to the customer

McDonald's has taken one step in listening to customers by allowing feedback and discussion on its corporate social responsibility blog. McDonald's could go much further in listening to customers by actively engaging with them on the issue of nutrition and health through two-way symmetrical mini-events such as public forums. And while McDonald's has not been forced to listen to customers due to financial loss themselves in the past three years, they can gain valuable insight by listening to customers' overall choices in terms of highest growth within the fast food industry. Fast-food companies such as Chipotle® (owned in part by McDonald's Corporation), Buffalo Wild Wings®, Panera Bread®, Panda Express®, Quiznos®, Starbucks®, and Jason's Deli® take up top rankings in growth with double digit figures in 2005. All of the big three hamburger establishments demonstrate modest to zero gains (McDonald's at 5.1%, Burger King at 2.6%, and Wendy's with 0 growth).¹³⁴

5.4 Manage for tomorrow

Students should be able to ascertain that McDonald's scores both high points and low points in managing for tomorrow. On the one hand, McDonald's has instituted several marketing programs that address the need for balanced, active lifestyles and incorporate expanded choice in menu options. On the other hand, McDonald's has continuously ignored its main critics and publicly stated that it does not establish

proactive public relations efforts in anticipation of release of movies such as *Fast Food Nation* or books such as *Chew on This*. In order to better manage for tomorrow, McDonald's needs to take more proactive measures in the evolving health and nutrition controversy to build relationships into the future with key stakeholders.

5.5 Conduct public relations as if the whole company depends upon it.

Because of the emphasis traditionally placed on marketing in the fast food sector, this case provides an excellent opportunity for students to investigate the need for effective public relations management over and beyond marketing efforts. In other words, McDonald's conducts *marketing*, not public relations, as if the whole company depends upon it.

The need to emphasize public relations is adeptly explained by Kai Boschmann, Group Director of Corporate Affairs and DSG International, in a *PR Week* article.¹³⁵ Boschmann states:

The fast-food industry has faced a multitude of crises over the past decade, and it continues to be deeply involved in the evolving health debate. Businesses need to focus on far-reaching and integrated reputation building—the era of hard sales and pure marketing has passed [...]. The fast-food industry often gets criticised [sic], and that may be because its emphasis remains marketing-led. With greater focus on responsibility, transparency and dialogue, the industry will gain more goodwill”¹³⁶ p. 15.

5.6 A company's true character is expressed by its people

Top management at McDonald's has maintained a consistent message that McDonald's needs to “do a better job of telling our story.” Both McDonald's CEO, Jim Skinner, and Vice President of Corporate Communications and Media Relations, Walt

Riker, have made that statement repeatedly to the press. However, top management does not appear to be comfortable with admitting mistakes, weaknesses, or error; as mentioned previously, investigative reports revealing information detrimental to McDonald's have consistently been denied. In addition, top management refuses to acknowledge major critiques of the company made in the movies *Super Size Me* and *Fast Food Nation*, and the books *Fast Food Nation* and *Chew on This*.

It would be erroneous to fault the character of top management at McDonald's, however. The only observation that can be made is that management's statements to the media have presented the perception that they operate from a position of power rather from a more altruistic stance of cooperation and concern. A recommended solution would be for McDonald's most visible spokespeople—that is top management—to work on developing a more sincere and open approach in communications on the issue of health and nutrition.

5.7 Remain calm, patient, and good-humored

McDonald's has done a remarkably good job of remaining calm and patient in the face of targeted and widespread criticism from a multitude of individuals and organizations. Indeed, McDonald's has had to bear the brunt of criticism simply because it is the biggest in the industry. The one exception to remaining stoic and patient was the McLibel lawsuit—McDonald's made an egregious error in striking out with all guns blazing against Steel and Morris.

It is difficult to see McDonald's as being good-humored, though. Where humor can be seen is in the *Super Size Me* web site that parodies McDonald's down to the color scheme used on the web site. It would appear that McDonald's does have the opportunity

to present a sense of humor regarding the issue of health and nutrition while also making a point in their favor. For example, McDonald's could present the concept of consumer choice with a smile: maybe raw seaweed and organically grown corn is healthy to eat, but doesn't everyone want the freedom to have a desert, or French fries, or a juicy hamburger on occasion? The message-with-a-smile could be that not all foods are low in calories, fat, and/or sugar, but consumers may like the right to eat them if they so choose.

6. Summarizing Key Recommendations

- McDonald's could identify groups or organizations advocating for better nutrition and engage them in two-way communication. By demonstrating concern regarding the issue and engaging with oppositional groups, McDonald's may be able to deflect the harshness criticisms.
- McDonald's should take timely, decisive action to assuage fears surrounding the health and nutrition controversy. Companies must be willing to adapt to changing environments. By taking action such as replacing trans fat cooking oil with healthier alternatives, the company may suffer some short-term losses, but it will build better relationships for future growth.
- McDonald's could build credibility by acknowledging that some of its products are high in calories, fat, and/or sugar and should be eaten in moderation. Being open would go a long way in reducing negative perceptions about McDonald's.
- McDonald's could be more forthright and transparent in their communications. By denying accusations and avoiding engagement with criticisms, McDonald's appears as though it has something to hide or has done something wrong.

Appendix 1

2005

The QSR 50 and The QSR 50 by Change in Systemwide Sales

QSR Magazine, August, 2006, Issue 92

Top 20 Shown

Ranking by System-wide Sales

Ranking by Growth in System-wide Sales

				% of Growth
1	McDonald's	1	Cold Stone Creamery	44.2
2	Burger King	2	Chipotle	33.4
3	Wendy's	3	Buffalo Wild Wings	28.4
4	Subway	4	Panera Bread	28.0
5	Taco Bell	5	Panda Express	24.3
6	Pizza Hut	6	Quiznos	23.0
7	Starbucks	7	Starbucks	17.8
8	KFC	8	Jason's Deli	17.6
9	Dunkin' Donuts	9	Papa Murphy's Take 'N Bake Pizza	14.4
10	Domino's Pizza	10	Subway	14.4
11	Arby's	11	Dunkin' Donuts	13.9
12	Sonic Drive-In	12	Culver's	13.7
13	Jack in the Box	13	Chick-fil-A	13.1
14	Dairy Queen	14	CiCi's Pizza	12.8
15	Chick-fil-A	15	Sonic Drive-In	12.4
16	Papa John's Pizza	16	Blimbie Subs	11.9
17	Hardee's	17	El Pollo Loco	11.6
18	Panera Bread	18	Little Caesars Pizza	11.4
19	Popeyes	19	Whataburger	11.4
20	Quizinos Classic Subs	20	Del Taco	10.8

The Big Three Hamburger Chains Ranking by Growth in System-wide Sales

29	McDonald's	5.1
39	Burger King	2.6
45	Wendy's	0

Appendix 2

America's Top 2000 Brands (Top 10 Shown)
Brandweek, 6/19/2006, Vol. 47, Issue 25

Legend for Chart:

A - RANK/BRAND
B - 2005 TOTAL SALES
C - 2004 TOTAL SALES
D - % CHG.

A	B	C	D
1	VERIZON WIRELESS SERVICE		
	1,251,348.8	1,113,645.0	12.4%
2	CINGULAR WIRELESS SERVICE		
	1,127,952.9	842,561.8	33.9%
3	MCDONALDS RESTAURANT		
	705,215.8	660,562.6	6.8%
4	HOME DEPOT HOME CENTER		
	526,947.1	570,416.6	-7.6%
5	T-MOBILE WIRELESS SERVICE		
	469,208.4	411,324.2	14.1%
6	LOWES BLDG SUPP STR		
	419,946.9	364,976.9	15.1%
7	NEWS AMERICA FSI		
	417,571.1	360,568.4	15.8%
8	GENERAL MOTORS CORP VAR AUTO&TRK		
	416,905.1	326,628.5	27.6%
9	VONAGE INTERNET PHONE SERVICE		
	413,311.7	63,358.2	552.3%
10	SPRINT PCS WIRELESS SERVICE		
	396,612.7	363,407.2	9.1%

Appendix 3

Two Samples of McLibel Press Coverage

1. Roberts, A. (2004, August 27). We're simply lovin' it... *Evening Standard*. Accessed October 14, 2006, from <http://www.mcspotlight.org/media/press/mclibel/eveningstandard270804.html>

We're simply lovin' it...

The bookshelves in Dave Morris's modest north London terrace strain under the weight of grey plastic ring-binders. There are many thousands of documents here, all relating to the longest trial in English legal history - and for the past few weeks, Morris has been attempting the Herculean task of summarising them all in just 10 A4 pages. It's been seven years since the original McLibel trial (dubbed "the best free entertainment in London" by Auberon Waugh) was brought to a close by Mr Justice Bell in a packed courtroom, after 313 record-breaking days of controversial testimony and argument.

But now Morris and his co-defendant, Helen Steel, accused of libelling the burger chain in a samizdat leaflet distributed outside McDonald's restaurants in 1990, are taking their case to the European Court of Human Rights in Strasbourg on 7 September.

"We're going to be staying at a nice hotel, apparently," says Morris, who rarely stays in hotels anywhere. "We're submitting five or six ring-binders of documentation, but we've also got to condense the case into 10 pages." He looks down at the mass of paper on the floor. "And that's almost impossible."

Alas, Euro-McLibel is somewhat esoteric compared to the original warts 'n' all trial, in which Morris and Steel successfully proved that the world's most famous multinational corporation exploited children with its advertising, falsely advertised its food as nutritious and was "culpably responsible" for cruelty to animals - yet still lost the case overall and were ordered to pay £60,000 in damages.

This time Morris and Steel will argue that the original hearing contravened the right to a fair trial and the right to freedom of expression enshrined in the European Convention of Human Rights. Essentially the McLibel Two want English law to be changed so that multinational corporations are not allowed to sue for libel (just as governmental bodies are not allowed to). The court will also be asked to consider whether the trial was fair given the comical discrepancy between the two sides' resources.

In one corner stood Morris and Steel, a former postman and gardener, who defended themselves, had a combined annual income at the time of £7,500 and raised a war chest of just £35,000, including a £1,000 donation from the late Linda McCartney.

The two vegans - Morris, the son of a Labour-supporting north London door-to-door salesman, and Steel, the daughter of a Lancashire teacher and branch union secretary -

had met in a Haringey community action group. Their friendship was cemented when they hitchhiked to Yorkshire to support the miners' strike in 1983 and together they campaigned against everything from road schemes to the poll tax, before upsetting McDonald's.

Occasionally mistaken for a couple, they were actually just friends, neither of whom had any higher education. What they did have was the fierce determination of the British underdog. Morris said his parents had always "encouraged me to think for myself - I've wanted to change the world since I was 17".

Steel seems to have inherited her fighting spirit from her mother, who once told her to go outside and punch the local bully when she was just eight years old. "So I did - well, she says I did, and he didn't bother me again," she explains.

But on paper, they seemed to have little chance against the might of a global corporation. In contrast to their paltry financial resources, McDonald's spent an estimated £10 million on a small army of legal representatives and costs.

And yet at the end of the original trial in June 1997, both sides claimed victory. Some of the points in the anti - McDonald's leaflet had been proved, others hadn't. Steel and Morris refused to pay the £60,000 and, two days after the verdict, were back outside the golden arches distributing the leaflet again.

But for McDonald's, the lengthy and detailed trial was an undoubted PR disaster. At one point, when asked about the nutritional content of Coca-Cola, McDonald's senior vice president of marketing, David Green, said it provided "water, and I think that is part of a balanced diet". It even emerged that McDonald's infiltrated spies into the north London Greenpeace group which printed up the leaflet (a radical environmental group not tied to Greenpeace International), and that one of the spies tried to find out Morris's address by offering to send baby clothes for his young son.

Since then, prompted by books such as Eric Schlosser's *Fast Food Nation* and an increasing awareness of the dangers of obesity, our attitude towards US-bred fast-food culture has undergone a radical shift. In 2002 McDonald's announced its first quarterly loss in 47 years, and began to change its menus in response.

A bubble has burst," claims Morris. "Most people no longer think of McDonald's in the way it portrays itself, as this kind of benevolent organisation that makes children happy. Instead they think of it more realistically - as a kind of mediocre company that sells mediocre products. Even people who eat there have ambivalent attitudes towards it." If McLibel began the backlash, it is documentary filmmaker Morgan Spurlock, already compared to Fahrenheit 9/11's Michael Moore, who is twisting the knife. Next month's release of *Super Size Me*, in which Spurlock spends four weeks eating nothing but McDonald's, with near-catastrophic consequences for his cholesterol levels and liver, merely confirms what Morris and Steel maintained from the start: that a diet based on burgers, fries and fat-laden milkshakes is very bad for your health.

It goes without saying that Steel and Morris, now 38 and 50 respectively, are seen as heroes within the anti-globalisation and vegetarian movements. Yet the case also struck a chord with a broader and less militant audience, who simply admired their refusal to back down in the face of overwhelming corporate power. It was a David-and-Goliath battle, and of course the silent majority sided with David.

The pair don't much like this cult status, however. "I think it disempowers people because they think, oh you have to be some sort of superhero to take these multinationals on - whereas, in reality, we're very ordinary people and anyone can do it," says Steel a little disingenuously. By definition, the McLibel Two are not ordinary: they describe themselves as "anarchists" for a start (in the sense that anarchism means people power, a society without controlling governments or private corporations). For Morris, McDonald's has been a *bête noire* for almost 30 years. "I remember going into the second branch they ever opened in this country," he says. "It was in Holloway, in 1975, and I had to deliver their post every day. I thought there was something pretty sinister about it, this new café with the workers in colourful uniforms and little name tags, smiling all the time." Morris was branch secretary of the postal workers' union, and one day asked a burger-flipper at McDonald's if the restaurant was unionised. "I remember he gave me this bizarre look, like, 'What are you talking about? This is McDonald's!'"

A single dad to 15-year-old Charlie, Morris nowadays spends most of his time doing unpaid community work. He is acutely aware of the ways in which advertising turns children into raging consumers and of the "pester power" factor upon which fast-food outlets often rely. I wonder whether Charlie has ever eaten at a McDonald's. "I think he's had fries a couple of times with friends," says Dave warily. "But I haven't," declares Steel, who nowadays works as a qualified electrician. "I've used their loos once or twice and that's it."

McLibel dominated their lives for at least three years. Without legal aid they had to learn complex areas of libel law, seek witnesses and work out technical strategies almost entirely by themselves.

"Of course our personal lives suffered," says Steel.

"There were points when I did feel like, 'Oh I can't carry on. This is driving me mad, I've really had enough and I want my life back.' The fact that there were two of us helped. One of us was able to carry the load while the other drew breath."

Were they ever frightened by what they had got themselves into, this extraordinary legal fight with a global corporation more powerful than many national governments?

"When we first got the writs, we took legal advice," says Steel, "and the advice was basically, 'It's really hard to defend a libel case at the best of times, but if you haven't got any resources, against such wealthy opposition, well, forget it'.

"And, of course, we stood the risk of being ordered to pay X amount of costs and damages, and having an injunction against us, and the threat of going to jail. That was very intimidating and daunting." She pauses briefly and looks me right in the eye.

"But, for me, it would have been much worse if I'd apologised for something that I didn't believe deserved an apology. Living with that feeling would have been worse."

A film about the trial by documentary maker Franny Armstrong, titled *McLibel: Two Worlds Collide*, has yet to be shown on British TV despite strong initial interest from both the BBC and Channel 4. Broadcasters are worried that the film is libellous and do not want a legal head-to-head with the US giant.

Yet if Steel and Morris win their case in Europe next month it's unlikely that *McLibel* could ever happen again. And if they don't, well, that's the end of *McLibel* anyway.

"You can't go to a higher court, so that really would be the end of legal proceedings," says Steel, relief in her voice. "But, obviously, it's not the end of the campaign, not the end of people challenging multinationals and the effect they have on society."

Dave nods vigorously. "No, no. That's a struggle that will go on for a very long time."

2. Bentley, S., & Vidal, J. (1997, June 26). *Big Mac Under Attack*. *Marketing Week*. Accessed October 14, 2006, from http://www.mcspotlight.org/media/press/marketwk_26jun97.html

Big Mac Under Attack (Cover Story)

It may have won the *McLibel* trial but the case has exposed an arrogance which threatens to shake McDonald's from its pole position. With rival chains eating into its market share and a poor new product development record, can it get back on course? Stephanie Bentley and *McLibel* book author John Vidal report. John Vidal is the author of *McLibel, Burger Culture on Trial* (Macmillan, £15.99) and environment editor of *The Guardian*

McDonald's may have won the *McLibel* case, but what a lot it lost besides. The criticisms of a small and insignificant group of anarchists - an irritating pinprick on McDonald's big toe - became a weeping sore all over the body corporate as McDonald's found itself having to fight a labyrinthine legal case estimated to have cost £10m.

Hindsight, as they say, is an exact science. Even in their worst nightmares McDonald's management could never have imagined the incredible tenacity of the two defendants and the resulting public relations disaster and sky-high costs of the *McLibel* trial.

Yet it is tempting to see the corporate paranoia evident in McDonald's original decision to take Helen Steel and Dave Morris to court as symptomatic of an insularity and arrogance that threatens to undermine McDonald's long-term future in key Western markets, crucially the US.

For 40 years the world's appetite for Big Macs has been insatiable. Still the McDonald's formula rolls relentlessly on into more and more markets, with 2,600 new stores expected to open this year (three-quarters of them outside the US) and more than 100 countries already blessed with the Golden Arches.

But in the US, signs of desperation, some might say panic, are setting in. The world's biggest restaurant chain continues to grow, but only through aggressive expansion. Like-for-like store sales, the barometer of a fast-food chain's underlying health, were down between four and six per cent in May, according to US analysts.

Marketing strategies keep going as soggy as an old cheeseburger. New products have repeatedly flopped; the last major pricing strategy - launched on April 25 and designed to run well into 1998 - has all but foundered in a the most humiliating of circumstances.

Mitchell Speiser, analyst at Lehman Brothers in New York, says: "In the US its business is weak. McDonald's has not put together an effective message. Its strategic direction is unclear."

The corporation's overreaction to a couple of penniless environmental activists handing out libellous leaflets in the UK is perhaps symptomatic of a company so insular and so rigid it has lost its perspective.

Everywhere else in the world McDonald's continues to grow. International expansion is good for the bottom line because international sales are more profitable than sales in the domestic market. Competition is much less intense outside the US, so McDonald's gets more people flocking to its stores and can charge higher prices.

The power of the brand sweeps everything before it. The arches are a potent symbol of democracy and freedom of choice, as witnessed so poignantly in Moscow when McDonald's opened its first restaurant and citizens queued for hours to buy the luxury of a burger and fries.

But in the US, where that symbolism is largely meaningless, selling cheap burgers fast is not enough to keep attracting new customers. There is unprecedented domestic competition for "share of mouth", from big rivals Burger King and Wendy's and new chains of quick-service restaurants offering everything from tacos to pizza to sushi. McDonald's wins the war of convenience hands down, with 12,000 US restaurants compared with its nearest rival Burger King with 7,000, but some observers argue the corporation has become a victim of its own success.

As McDonald's opens more units in this saturated market, so it cannibalises existing restaurant sales and squeezes franchisees' profits.

According to research from Technomic, a Chicago-based restaurant consultancy firm, the number of McDonald's units grew in 1996 by 6.4 per cent but sales increased by only 2.9

per cent, which means sales per restaurant have dropped. In contrast, Burger King outlets increased by 6.9 per cent, and its sales grew by 9.2 per cent.

Meanwhile, in McDonald's international division - where 80 per cent of profits come from the UK, France, Germany, Canada, Japan, Brazil and Australia - the company is having to open smaller, lower volume stores because prime sites in the big cities are already established.

It is also a victim of demographics. America's population is ageing and the teenagers who grazed on hamburgers in their teens are now middle-aged and more health-conscious.

Last year the company launched the Arch Deluxe, a "sophisticated" adult burger with a secret sauce of mayonnaise and two mustards, and an optional slice of bacon, in a bid to appeal to this "baby boomer" generation, who are supposedly more interested in taste.

But the Arch Deluxe has not proved to be the saviour McDonald's hoped it would. It is high in fat, high in calories and expensive - baby boomers decided that if they were going to be unhealthy and eat a burger, they would rather eat a "vulgar" one at 99 cents than a "sophisticated" one at \$1.79. And of course the Arch Deluxe, in trying to be the perfect junk food for adults, failed to appeal to McDonald's core market - children.

Ron Paul, president of Technomic, says the hype surrounding the launch of the Arch Deluxe put too much consumer expectation on the product. "The Arch Deluxe was less than industry observers expected. It was not good enough or different enough to move anyone away from their favourite sandwiches elsewhere," he adds.

Earlier this year, in a dramatic shift in direction, McDonald's moved away from concentrating on upmarket, added-value burgers to a discount strategy: Campaign 55 (1955 was the year of the chain's inception).

Under Campaign 55, the company slashed the price of a sandwich, such as an Egg McMuffin or a Big Mac, down to the very appealing 55 cents (30p). Sort of. What many customers failed to understand was that they could only get their 55-cent sandwich if they bought a drink and French fries as well, and if the particular sandwich they wanted was on offer that month.

Campaign 55 confused and annoyed consumers, and importantly, it failed to deliver on what it promised. After six weeks the company pulled the promotion, except for a variant on the breakfast menu. It is a humiliating climbdown for a company not used to reverses.

McDonald's is also suffering from a quality perception problem - observers just do not rate the taste of its burgers.

Damon Brundage, an analyst at NatWest Securities in New York, says: "Frankly the future isn't very good. There has been deterioration in the quality of McDonald's products where Burger King and Wendy's have got better."

He adds: "McDonald's stock in 1995 had a terrific year. It convinced management that there is nothing wrong with McDonald's product, and that there is nothing wrong with marketing strategy."

Campaign 55 was interpreted as a means of buying time for McDonald's, while the company worked on upgrading its products in the long term. But this has not worked, and with no replacement for Campaign 55 on the horizon, it is not easy to see how McDonald's can add lustre to the Golden Arches.

Brundage says: "There is only one way out at this point. It must improve product quality, for example by increasing the size of the patty (the meat in the burger) or enhancing flavours, and it must bring out two, three or five new products."

He forecasts more aggressive pricing activity in the short-term, for example on brands such as the Big Mac, but with no strings attached to the promotion. Pressure is growing on McDonald's from its 2,700 US franchisees. They are increasingly confused and perturbed by the company's strategic U-turns and angry at the apparently unaccountable marketing and management executives. Plans and schemes are launched, they don't work, and the same people are still in place to dream up the next strategy.

There has been much speculation that senior heads would roll after the failure of Campaign 55, but as one analyst says: "They'll just hunker down in Oak Brook [company headquarters in Illinois]."

McDonald's vice-chairman Jack Greenberg and senior vice-president of US marketing Brad Ball are being held responsible for Campaign 55. But as one observer says: "Both these men were promoted by Mike Quinlan, the chairman and chief executive. They are his boys. He is not going to take one of them outside and shoot him."

Brundage adds: "McDonald's is an extremely insular organisation and perhaps there is a fair amount of arrogance. The top executives feel they know their business better than anyone and therefore there is no need to listen to anyone outside Oak Brook. That attitude hasn't shown many signs of changing." McDonald's has for years confounded its critics and continues to post record global growth and profits. But with such sluggish growth in its domestic market, the corporation faces the rockiest patch in its 40-year history. The company is imprisoned by its need to stay cheap, and is under intensifying pressure to compensate by finding a quick fix to move product and fill cash tills. Suddenly Ronald McDonald's carefree youth has been replaced by a mid-life crisis.

Speiser says: "McDonald's is a big machine, so when there is negative momentum, it takes time to turn it around. But on the positive side, once you get it rolling, don't ever underestimate the power of brand McDonald's."

Judgement rocks Ronald

Ray Kroc, the testy founder of the mighty McDonald's empire, will be cussing in his grave. A senior English judge has just found that the corporation which spends \$2bn (#1.3bn) a year promoting itself and advertising its products "exploits children".

Mr Justice Bell didn't mince words at the end of the epic McLibel trial: "In my judgment", he said, "McDonald's advertising and marketing makes considerable use of susceptible young children to bring in custom, both their own and that of their parents who must accompany them, by pestering their parents." Ouch.

Precisely focused marketing and advertising is the core of the McDonald's empire. The business is nothing without it. The whole \$30bn (#19bn) a year enterprise depends on building brand loyalty and attracting impressionable children, as young as two years old.

For a judge to even question the ethics of the company's relationship with little people is bad enough; to spend weeks listening to the best arguments of its top US executives, and the defence given by some of Britain's leading marketing people, and then to reject them and conclude that it is frequently exploitative should scare the daylights out of the industry. This was not a judgment on one isolated campaign but on a great plank of McDonald's day-to-day business.

It's a miserable judgment for the corporation that spends #55m promoting itself in Britain each year. What happens now to McDonald's fabled code of conduct? Did not David Green, senior vice-president of marketing, spend four days in the witness box and say that McDonald's had this code precisely to prevent the exploitation of children? Has not the company always painted itself as ethical and socially responsible? Is it time for Ronald to change his message? McDonald's has said it will have an internal inquiry, but it's hard to see what can be done. It could sit tight and hope the fuss will go away and, indeed, it is not bound to change because nothing it does in this area is illegal. But if it wants to avoid being branded cynical by an increasingly ethically-aware public, it has a duty to respond fully and clear its name.

Appendix 5

Comments and Responses on “Engaging in the Global Obesity Dialogue” Posted on the McDonald’s corporate social responsibility blog, <http://csr.blogs.mcdonalds.com/default.asp?item=198222>

Posted By: Russell Faraday (14/11/2006 8:07:31 PM)

Comment: Thank you for your interest in attempting to make the world a better place. There are many other key issues that McDonald's needs to work on before becoming a respectable company. First, address the problems that meatpacking workers (McDonald's beef suppliers) must face every day. There are very dangerous conditions in the meat plants, and safety rules are routinely ignored and not enforced. The government does not do much to help in this situation. Second, stop advertising unhealthy food to children. They don't necessarily know anything about nutrition, and if you get them hooked on french fries at age 5, they may never give up the habit, whether or not there is nutrition information. Obesity is just the tip of the iceberg, there are other REAL problems that McDonald's is responsible for. Just because there isn't national media coverage about an issue doesn't mean you don't have to fix it. Thank you. RF

Posted By: Les Weinstein (10/11/2006 4:16:55 AM)

Comment: It is refreshing to learn that by hiring you and giving you authority that McDonalds is truly comitted to change. What if anything is your company doing about the issue of supporting local farmers and organic producers.

Posted By: The McChronicles (31/10/2006 5:58:23 PM)

Comment: Catherine, This is one of the best postings The McChronicles has seen on this blog. Thank you. We couldn't agree more that McDonald's is now clumsily used by many people to represent all that is bad with the fast food industry. Taken a step further, and including the concept of RESPONSIBILITY (and intrinsic locus of control), people use McDonald's to represent much of what is wrong with themselves! We feel that McDonald's is on the verge of being able to launch a tremendously powerful program that could lead the world in developing healthy eating habits. We're not saying that you are, or that you should do this - it's just that you now have assembled most of the resources, data, high ground, etc. to do so. Today's complex world often gets over most people's heads with technicalities. Many look to a trusted leader to offer guidance. When it comes to fast food, McDonald's could take that position (versus shrinking into the intellectual background), raise the bar for all other fast food purveyors, and lead the way. Most consumers want to trust McDonald's, and many obviously eat your food daily. Putting this all together, The McChronicles would love to see McDonald's boldly stake out the sensible eating leadership position in the fast food industry. Make us proud.

Posted By: Brad Bennett (25/10/2006 1:41:03 PM)

Comment: While the choice to eat McDonald's is ultimately unto the consumer, the argument that McDonald's offers healthy choices and is therefore absolved from being a large part of the "obsity problem" doesn't take into account the role McDonald's and their advertising plays in shaping consumers' ultimate decisions. (And once you add many of

the dressings, the healthy choices aren't even that healthy!)

Response: Thank you for your comments. McDonald's knows that we provide meals for a large number of people everyday. We take this role seriously and feel that we have a responsibility to provide choices that fit with most all lifestyles and for many different customer ages. We take our role in advertising seriously also. We have a code of practice for advertising today and we evolve this code with our customers changing needs and preferences.

Our food also provides choices for our different customers. For example, McDonald's premium salads provide three servings of vegetables and are a significant source of protein when served with chicken. These main dish meals contribute as few as 350 calories without dressing. There are three offerings of lowfat salad dressing. Lowfat balsamic has 40 cal; soy ginger has 90 cal; and lowfat family recipe italian has 60 calories. All these deliver great taste. A serving of regular salad dressing contains about 200 calories per serving, but the taste is preferred by some customers. Our salads are an excellent source of vitamins A & C and a good source of calcium and iron-which sounds like great tasting nutrition to me.

-Dr. Adams

Posted By: Tracy Salas (22/10/2006 7:38:45 PM)

Comment: Again posting from my experience from working at McDonalds, I 100% agree with your comments. Obesity can be caused when you make poor choices in food. Me and my co-workers eat at McDonalds on a regular basis, sometimes near daily, most of us are not fat. Obviously obesity has more to do with more than with how much and how often than just what you eat. Im not saying the food is necessarily good for you, but it doesnt hurt you when you watch how MUCH of it you eat. dont cram your self full and eat the same thing every day and and try to point fingers.

Response: I appreciate your thoughts and your time in responding to my comment. We agree with you that being healthy is up to every individual. We also agree with you that McDonald's food can fit into a healthy life. We offer a variety of menu items, in a range of sizes, to meet the needs of a varied population. Maintaining a balanced diet means something different for each individual customer.

-Dr. Adams

Posted By: Tim Kissman (20/10/2006 8:21:01 PM)

Comment: This is a great blog and one that definitely shows McDonald's in a different light. You're right. When speaking of nutrition, not once have I ever heard of McDonald's being an example of good nutrition. It's true that we all choose what we eat, how we eat and how much, but the availability of "fast food" and the ease of which it is consumed is all too easy. It's good to see more nutritional options being part of the McDonald's menu and I hope that continues "not only for adults, but for children. My daughters still choose McDonald's because of the toys inside their happy meals. I'm also the publisher of a health and fitness magazine in Michigan and would welcome a column about this matter. Michigan, as you may know, has one of the highest obesity rates in the country. There are a lot of good people working hard trying to change that and I know McDonald's is doing its part by educating its consumers. If you're interested in this, I would love to hear from

you. Thanks, and I will continue to read this blog with great interest!

Response: Thank you for your remarks. We are pleased that you are able to understand the issues and are working on solutions through your magazine. We will continue to provide choice on our menu for all tastes and lifestyles. We will also continue to provide information and be open and honest about our food and our values.

Let's explore the opportunity of an article in your health and fitness magazine. Please continue to read and enjoy this blog from McDonald's!

-Dr. Adams

Posted By: Dean Shareski (17/10/2006 12:44:23 AM)

Comment: I really appreciate the transparency and efforts you make to deal with the controversial issues surrounding your company....you must have read "Naked Conversations". How do you handle those comments which challenge or even are malicious towards McDonalds? How much will you allow? I think it's important to allow those dissenting voices and yet I also recognize eliminating those who cross the line. Just wondering how you handle this.

Response: The purpose of our CSR blog is to have a dialogue on important social and environmental issues. The spirit of our effort is to raise awareness, address complex issues with an open mind, and to illustrate the multiple facets and trade-offs involved with these issues. All viewpoints are part of this, including dissenting voices. What type of comment is inappropriate to post? That's a judgement I have to make. Basically, I won't post vulgar, irrelevant or other types of comments that are posted in this spirit. I don't believe a blog should be used as a campaigning place. Rather, it should be used as a place for civil, smart and constructive exchanges of points of view on how we can do better. With this blog, and others like it, we can elevate the discussion and increase the opportunity for CSR issues to become more mainstream.

-Bob

Posted By: Ryan Hanao (16/10/2006 10:21:03 PM)

Comment: Mrs. Adams, -I just finished eating one of your, your as in mcdonalds (not the entire food industry,) meals, and I decided to go to the Mcdonalds website for the first time. I came across this blog, and read your opinions on the relation between Mcdonalds and Obesity. To shed some light I will list a few reasons why people were so hard on Mcdonalds, and maybe offer some good points for you to take in. -Mcdonalds, for years, has been under fire for its unhealthy nutritional nature. Mcdonalds, in response to this, did a wonderful job of releasing healthier choices such as the products that you mentioned at reasonably low prices. And I'm sure that they weren't referring to Mcdonalds healthier product choices when seemingly "attacking" the menu. The only problem with Mcdonalds in a lot of people's eyes is that they still offer those fatty items on their menu. They feel that it allows for a "gateway" into obesity, which I completely agree with. But, you are very right when saying that one should mentor their children into a healthy and nutritious lifestyle. These "gateways" are merely that, "gateways." Though no one I know, can say that they don't know that many of your products are unhealthy. The information is out there, but many people just choose to ignore health for convenience. So, people believe that your part in this business is to moderate what level of health that people can receive from your meals. -Mcdonalds is one of the corporate idols of this

nation and maybe even the world. And the responsibility in being that global entity is that you are being held partially responsible for the health and wellbeing of our nation and our world as a whole. McDonalds should not have to change their menu because people can't resist a Big N' Tasty. Nor should any "blame" fall on your fine establishment. Though, because of your high consumer volume, many people feel that you can be the difference in the world's choice of healthy eating. --Please e-mail me with a response, it would be greatly appreciated.

Response: Thank you for your thoughtful response to our comments. We realize that we provide food for a lot of people around the world-about 50 million everyday. We take our responsibility for our food and our leadership position seriously. We want people to know what is in our food so that they can make appropriate choices. We also know that we offer our customers great tasting nutrition. We have choices on our menu that contain the protein, vegetables and fruits that we need everyday. Obviously, some of our menu items are higher in fat than others. I cannot say that any food on our menu is "unhealthy" because I believe that "diets" and "lifestyles" are healthy or unhealthy-not foods. I know that I personally eat at McDonald's almost everyday, and I easily select the foods that I want and need from the menu. I appreciate the convenience I am offered with McDonald's, and I believe that my diet is a healthy one.

I appreciate your comments about McDonald's as a gateway. However, instead of a gateway to obesity, I see McDonald's as a gateway to the selection of convenient foods that people need for a healthy and busy lifestyle. We will continue to evolve our menu to meet our changing customers' needs. Thank you for your thoughts.

-Dr. Adams

Posted By: Genie Gratto (13/10/2006 4:00:31 PM)

Comment: Catherine, it's absolutely true that McDonald's offers many more healthy offerings than ever before. As a health-conscious consumer, I appreciate that. However, I will admit...I don't come to your stores often anymore, and when I do, it's because I'm looking for tasty fries or a burger -- something quick and, to my consciousness, totally unhealthy. However, what I find disingenuous about your entry here is that it sounds like you're a little surprised at the shorthand of health professionals. Is it unfair that they don't let Burger King or Wendy's or Taco Bell or KFC roll off their tongue? Perhaps. But at the end of the day, one of McDonald's goals has been to be a household name, all around the world. To succeed at that, sometimes, means you're also going to become the biggest target. I compare it to people who complain when their favorite bands "sell out." Well, doesn't that just mean they've been really successful at what they do and have made gobs of money? McDonald's certainly doesn't bear sole responsibility for the obesity epidemic in this country. But at the end of the day, no matter how many Asian salads you add to your menu, no matter how many fruit and yogurt parfaits you serve, your corporate profile is as a fast food company that started with burgers and fries. That's your core business. And those foods should be eaten in limited moderation, if at all. You deserve a break today? Truth be told, we all deserve a break...but we should be taking that McDonald's break a couple of times a year...not every day. Genie
<http://www.theinadvertentgardener.com>

Response: I thank you for your thoughtful comments and taking the time to write to me. I appreciate how you incorporated our advertising slogan from a few years ago! And to your point, I think we do deserve a break-but only from being regarded as representative of the business practices of an entire industry.

We are proud to sell burgers and fries, and we are proud of our heritage. We grew to be leaders in the quick service industry. And we are proud of the values we exercised along the way-from our responsible food sourcing practices and successful alliances with Greenpeace and the Scripps Research Institute, to our openness with nutrition information on our packaging. We are reflecting our values in all that we do, and we are leading the way for much of the industry.

If anyone "sells out" to make money, I suggest that they are regarding their business as a short-term opportunity. Through our food and our values, McDonald's reveals our intent to be in business and customer-preferred for the long-term. We hope that this will be recognized in the future as a convenient source of great tasting nutrition.

-Dr. Adams

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