McDonald’s and the Battle against the Rising Obesity Epidemic

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The golden arches are widely recognized across the globe today as home to the largest and most successful fast food restaurant in the world. On an average day, more than 60 million people enjoy fast food favorites at one of McDonald’s Corporation’s 32,000 restaurants, which are located in 117 countries on six continents (See Appendix C). However, the new millennium ushered in serious public health concerns, challenging McDonald’s dedication to their customers’ nutrition. In its response to accusations that it was liable for the American obesity epidemic, McDonald’s Corporation reacted with gusto but not without error. McDonald’s reacted with menu additions, ingredient changes and increased transparency about nutrition but failed to engage consumers consistently throughout the process. Overall, McDonald’s was successful in protecting its reputation and sales but could have been more interactive with its stakeholders.

Founded in 1948 in San Bernardino, California, the first McDonald’s restaurant operated by the McDonald brothers featured a popular menu of hamburgers, cheeseburgers, soda, milkshakes, coffee and pie. Businessman Ray Kroc anticipated the future success of the restaurant; he bought the rights in 1954 and began to create his fast food empire (See Appendix A). Since its incorporation in 1955, McDonald’s has seen substantial growth in product sales, restaurant locations and menu options. Today, McDonald’s menu includes classic favorites as well as chicken, salads, premium coffees and smoothies to satisfy new consumer tastes (See Appendix B). However, meat and potatoes remain the bread and butter of McDonald’s success, leading many health professionals to question the nutritional value and portion sizes of their most commonly consumed products.

Climbing the fast food ladder throughout the last half century, McDonald’s Corporation (MCD) is a valuable stock among its investors. McDonald’s stock is comprised of approximately 1.06 billion shares, and the share value varied between $60.04 and $80.94 during the last 52-week period (Morningstar, 2010). The public company employs approximately 413,000 people worldwide today. About 9,000 of the restaurants are company owned and operated; the remainder
is run either by franchises or through joint ventures with local businesspeople. According to the 
McDonald’s 2009 Annual Report, the company’s operating income increased 6 percent from 
2008, reaching $6.84 billion. Franchised sales in 2009 totaled $56.92 billion, and total revenues 
reached $22.75 billion (See Appendix C).

Despite its current financial position, McDonald’s experienced its first quarterly loss in 
2002 after years of unchecked growth and lack of attention to basics (Films Media Group, 2007). 
Struggling to sustain expansion of 2,000 restaurants per year, the company’s management 
adjusted objectives to focus on the quality of its products and services. While McDonald’s 
attuned its business model, the surgeon general declared obesity an epidemic in the United States 
in 2003. Threatening the health status of 44.3 million American adults, obesity problems are 
associated with the fast food industry by countless health critics, holding these restaurants 
partially responsible for future change (Banwell, 2005).

The emergence of “Super Size Me” in 2004 further established public health concerns in 
the United States. The documentary followed filmmaker Morgan Spurlock’s month-long 
experiment in fast food consumption and charted the gradual deterioration of his physical health. 
Quickly becoming one of the highest grossing documentaries in U.S. history, “Super Size Me” 
instigated consumer demand for change in the fast food industry (Bailey, 2010). Lawsuits from 
customers regarding the negative health effects of fast food followed, driving McDonald’s to 
establish its role in the unraveling public health crisis (“McDonald’s Pushing Salads,” 2004).

McDonald’s public relations issue was one of impact and significance, for it revolved 
around an increasingly severe public health emergency. In addition to the “Super Size Me” 
documentary and the coverage that film received, McDonald’s and the fast food industry received 
widespread media coverage regarding its impact on the obesity epidemic (See Appendix D). As 
seen in the media coverage, the improvement of nutritional transparency, the equity disparity 
between classic offerings and new healthy items, and the company’s social responsibility as a
major global food provider were serious topics that the company’s management needed to address promptly. Investors, health professionals, adults with health problems, health-conscious adults, mothers, children and many other groups of people had a direct stake in this case and its outcomes.

McDonald’s entered the crisis with many strengths to its credit. Not only is McDonald’s a leader in the fast food industry, but it also has an incredible reputation as an American favorite. However, because the issue involved a public health crisis, McDonald’s menu served as a weakness. In fact, McDonald’s operational efficiency hinges on the use of cheap products, which are poorer quality. Similarly, the competition from other fast food restaurants that already had healthier products presented a huge threat to McDonald’s sales. Restaurants like Subway and Wendy’s already had menu items like subs and salads, while McDonald’s sales depended on burgers and fries. Overall, though, the industry trend towards health and nutrition was an opportunity that McDonald’s seized (See Figure 1 for a full SWOT analysis).

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<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
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<tr>
<td>- strong reputation as a trustworthy American brand</td>
<td>- menu, by nature, is unhealthy</td>
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<td>- established as an American favorite</td>
<td>- operational efficiency hinges on use of cheap products, which are less healthy</td>
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<td>- leader in the fast food industry</td>
<td>- company image as a provider of unhealthy foods</td>
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<td>- company culture of community</td>
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<th>OPPORTUNITIES</th>
<th>THREATS</th>
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<td>- social media to connect with consumers; on-the-go technology to meet the needs of on-the-go consumers</td>
<td>- consumers affected by the recession may not be eating out</td>
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<td>- industry trend toward healthier menus</td>
<td>- competitors offering healthy options (Wendy’s, Qdoba, Subway)</td>
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<tr>
<td>- recession means more people are dining at limited-service restaurants</td>
<td>- governmental involvement in improving the United States’ obesity epidemic and general health</td>
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Figure 1: McDonald’s Corporation Case SWOT Analysis

Since one of McDonald’s key stakeholders is competitors in the fast food industry, the industry outlook is a useful framework for analyzing McDonald’s efforts to fight the accusations of its contributions to American obesity. Overall, the restaurant industry, as a
whole, took a hit from the recession (Basham, 2010). In 2009, the industry suffered a decrease in sales for the first time (Basham, 2010). Despite the hit to the restaurant industry as a whole, analysts predict an increase in traffic to limited-service restaurants (fast food restaurants) over the next year (Basham, 2010). Indeed, more consumers choosing fast food restaurants for economic reasons is another opportunity for McDonald’s.

The restaurant industry is marked by four trends in 2010: competition, Hispanic focus, convenience and an increased focus on health and nutrition (Basham, 2010). McDonald’s can be considered a trend-setter because it has led the industry in establishing these trends. For example, McDonald’s is the fifth-highest spender in Hispanic media (Basham, 2010). Additionally, McDonald’s partnered with World Health Organization and the US Department of Health and Human Services to educate consumers about health, nutrition and fitness (Basham, 2010). McDonald’s obvious participation in these trends proves that McDonald’s is an innovator in its industry. Furthermore, McDonald’s open-mindedness and ability to adjust to the industry’s demands helped its response to the allegations that it was liable for the American obesity epidemic.

Similarly, McDonald’s values and missions helped construct its response to the crisis. McDonald’s mission statement is “…to be the world's best quick service restaurant experience. Being the best means providing outstanding quality, service, cleanliness, and value, so that we make every customer in every restaurant smile (McDonald’s Corporation, 2010).” McDonald’s mission essentially served as a metaphorical fulcrum by which the company’s response to the crisis pivoted. McDonald’s commitment to community also served as a strength for McDonald’s (See Appendix E). Additionally, McDonald’s 2009 Corporate Responsibility Report asserts four additional core values: the road to sustainability, greener than ever, recycle, renew and animal welfare (See Appendix F). These four values are a direct response to the accusations that it was responsible for the obesity epidemic. By directly
responding to the accusers, the Corporate Responsibility Report assuages the passion and anger of health advocacy groups.

In fighting the harsh allegations, McDonald’s had two chief public relations objectives: to counter the negative publicity head-on and to regain its reputation as the head of the fast food industry across the globe. Along with these objectives, McDonald’s encouraged public discourse on responsibility, education, nutrition and the ethics of marketing. Ultimately, these public relations objectives shaped McDonald’s strategies and tactics as it sought to regain its reputation and sales.

In response to Dr. Richard Carmona’s declaration of the obesity epidemic, Morgan Spurlock’s documentary and impeding lawsuits, McDonald’s began to counter negative publicity head on. To achieve its public relations objectives, McDonald’s first strategy was to improve the nutritional options available on the menu. The corporation wanted to keep their loyal customers, while also satisfying stakeholders who were hesitant about the menu’s nutrition value. The first and most drastic tactic McDonald’s implemented was revamping their menu to add healthier options. Although McDonald’s claimed it was not a direct response to “Super Size Me,” the corporation began to phase out the Super Size menu shortly after the documentary’s premier (Robinson-Jacobs, 2004). The new meals offered a range of meal combinations and healthy portion sizes that fall within recommended guidelines for calories, fat, sodium and other important nutrients (See Appendix B).

After hiring in-house nutritionists starting in 2004, McDonald’s Corporation added entree-salads with low-fat dressing choices. For children, the company redesigned the signature Happy Meal to offer “apple dippers” and milk jugs as substitutes for french fries and fountain drinks. The company also changed the ingredients of the chicken nuggets to include all-white meat and a reduced level of sodium. For health-conscious adults, the company designed an adult version of the Happy Meal, coined the “Go Active!” meal. This entree
included salad, a bottle of water, a brochure telling customers how to modify their
McDonald’s orders to be more nutritious, and a pedometer to promote walking and activity. In
response to competitors’ growing menu of nutritious food, McDonald’s added items such as
oatmeal, snack wraps and a line of smoothies. Through tweaking their menu, the fast food
giant hoped to satisfy their customers’ demands (See Appendix D). The changes in
McDonald’s menu are likely the most direct and effective tactics it employed in re-
establishing itself as a more health-conscious company. Further, the fact that it changed its
menu for all stakeholders proves a level of commitment to responsibility and nutrition.

McDonald’s second strategy was to find ways to make the nutritional information
readily available to consumers. The first avenue of communication was through printing
nutrition information on in-store materials. Through this tactic, the corporation posted
nutritional facts about their menu on brochures, tray inserts and on the outside of cartons of all
product packaging (See Appendix G). To engage the online community, the company utilized
their corporate website as a key source of information. The company posted similar nutrition
information found in-store with an additional tool to customize an order and evaluate nutrition
with small menu tweaks. McDonald’s also provided a “Farm to Table” feature, which openly
illustrated the process of how food is created and delivered to customers (Epstein 2005). By
increasing the transparency and availability of nutritional information, McDonald’s showed
customers and critics that it had nothing to hide. Instead of appearing deceptive or manipulative,
this transparency helped McDonald’s appear honest and open. More importantly, McDonald’s
enabled customers to make healthy choices. And in reality, that is the only way to solve the
obesity crisis.

The corporate website dedicates clear sections to their nutrition information, divided into
sites for children and adults. An online presence makes nutritional information even more
readily available to the customer, showing McDonald’s values of openness and
transparency. Besides the online community, McDonald’s also released two press releases about their health initiatives, one highlighting their Corporate Responsibility Report (See Appendix F). Although a press release is an effective tool of communication, the company could have created more buzz to their initiatives by formally releasing more news through additional press releases.

A final strategy McDonald’s implemented was to improve communication with consumers to promote public health and a positive brand reputation. McDonald’s wanted to engage with customers, really listening to their concerns and needs. As a tactic, McDonald’s expanded their online presence through social media, creating pages for Facebook, Twitter, YouTube and Flickr. Facebook attracted 6,297,989 fans to date. Although it has a large number of fans, the corporation updates the page only every few days with promotions and news instead of responding to individual voices. The main Twitter account has 69,600 followers to date. The account is updated several times daily and does make an effort to respond to individual comments and concerns apart from advertising alone. In order to make its social media efforts more fruitful, McDonald’s should respond and engage with participants of its Facebook and Twitter pages.

The McDonald’s Corporation YouTube channel has 44 posted videos, while McDonald’s US channel has 27. It is difficult to identify the official YouTube channel, which may be confusing for customers. The Flickr account, which is a picture and video hosting website, contains 4,440 posted items. Finally, the company created a corporate blog focused on sustainability and social responsibility, including information specifically about health education initiatives (See Appendix H). As our SWOT analysis indicates, on-the-go communication and technology is an opportunity McDonald’s could further capitalize on. Although it has done the grunt work of creating these pages, it has not done much to make
these sites interesting and engaging for the users. One way McDonald’s could make more of its social media and technology efforts is a mobile application with nutritional information.

In our analysis of McDonald’s strategies and tactics, we developed four key messages McDonald’s communicated to its stakeholders. First, “we are not solely responsible for the obesity epidemic, but we are taking steps to help consumers make healthy decisions.” Rather than taking direct responsibility for the public health concern, McDonald’s simply set forth tools for consumers to make healthy decisions. Second, “we are working to support healthy, growing children: Moms can trust us.” The focus on childhood obesity necessitated a direct response to mothers. The changes in the Happy Meal certainly achieved this. Third, “we provide healthy and convenient menu options at affordable prices for on-the-go consumers.” Since McDonald’s is a fast food restaurant, it continuously maintained a sense of convenience and simplicity for customers, even as menu options were added. Lastly, “we offer more nutritional offerings but continue to serve our classic favorites.” Because McDonald’s built its brand’s success on burgers and fries, eliminating these options would have completely changed the brand’s identity and potentially lost consumers. Instead, McDonald’s kept its original menu and added new options to meet customer demands.

In its quest to protect its reputation and maintain sales, McDonald’s achieved two important relationship outcomes: trust and commitment. McDonald’s sought to build trust with nutritionally conscious consumers, and more importantly mothers. Since there was an emphasis on childhood obesity, McDonald’s realized the importance of mothers as a stakeholder group. In its most effective, most direct tactic with stakeholders, McDonald’s partnered with Morgan & Myers, an integrated marketing company to create the McDonald’s Moms Quality Correspondents. The six mothers were a focus group to represent American moms in general. McDonald’s took the women on tours of packing plants, farms and McDonald’s restaurants to teach them about the food supply process. More importantly, the
mothers spoke up about their observations and trekked their journeys on a blog, which 16,000 moms followed online.

According to McDonald’s corporate website, “From the start, we have been committed to doing the right thing. And we’ve got the policies, programs and practices in place that allow us to use our size and scope to help make a difference. Because that’s what’s good for us, is good for us all.” Through its tactics, McDonald’s exemplified commitment to nutrition. By making nutritional information readily available and altering its menu to include healthier options, McDonald’s showed its commitment to nutrition and its commitment to helping consumers make healthy and responsible decisions.

After extensive research, we believe that McDonald’s was successful in protecting its reputation and improving sales after accusations that it was responsible for the obesity epidemic. Management executed chosen tactics successfully and achieved several essential relationship outcomes. However, they could have benefited from implementing additional strategies and tactics to target other important relationship outcomes such as customer satisfaction and informational openness. Customer standards are constantly increasing as times change and the public health crisis worsens. Many customers have voiced that they are not yet satisfied with McDonald’s adjustments and would like to see continuing progress in the future (“McDonald’s Customer Satisfaction,” 2010). Additionally, McDonald’s Corporation could have interacted with its stakeholders via social media to foster open communication. We emailed McDonald’s Customer Response Center with a few questions regarding their opinions of the public relations case. The response we received seemed vague, cold and uncooperative, qualities that do not achieve a sense of openness (See Appendix I).

Our last suggestion for improvement focuses on altering the recipes and thus the nutritional value of the classic favorite food options to create a healthier menu overall. While this change would adhere to the United States’ need for public health initiatives, it would
create an unrealistic and unsuccessful business model for McDonald’s Corporation. Past recipe changes, such as altering the french frying oil, dissatisfied countless customers and decreased sales severely (Gale Group, 2006). Such changes would require a monumental shift in the entire fast food industry to contribute to McDonald’s successful business model.

The beginnings of McDonald’s public relations campaign were inherently reactive to the surgeon general’s declaration of the obesity epidemic and increasing accusations of its alleged contributions to the epidemic by consumers. However, moving forward, McDonald’s has the opportunity to take future proactive measures to promote general public health as a responsible food provider. They do not need to wait for the next health crisis to arise to show compassion and concern for their customers’ well-being. Many lessons can be learned from the McDonald’s Corporation case study. From this case study, we believe that McDonald’s Corporation learned that customers increasingly value quality over quantity, as witnessed in their first quarterly loss in 2002. Additionally, creating nutritionally beneficial menu items may not generate a competitive profit, but it is necessary to promote overall public health by doing so. Acting in an ethical and socially responsible manner as a global food provider is essential to achieving lasting relationship outcomes with customers.
Bibliography


