

Emerald Management First

Re-branding: the McDonald's strategy



Established in California during the 1940s by two brothers, the McDonald's restaurant became a popular teen hangout in the first flush of post-war affluence. To feed these youthful bodies, the brothers reduced the menu to the perennial favourite – hamburgers, applied assembly line techniques to food production and expanded to four restaurants by 1953.

Taking note of the brothers' success, in 1955, Entrepreneur Ray Kroc bought the right to franchise the McDonald's System. Renamed the McDonald's Corporation in 1960, Kroc focused his marketing effort on the family meal and children, spending heavily on television advertising which promoted the smiling clown face of its child-friendly brand mascot, Ronald McDonald. Today, the McDonald's franchise exceeds 30,000 restaurants globally and serves over 50 million people in more than 100 countries each day.

Between 1969 and 2005 McDonald's management strategies were frequently celebrated on the business pages of *The New York Times* – a testament no doubt to the media relations department's ability to spin the company's mass-marketing efficacy into a much repeated American success story in this very important US newspaper. However, the brand was also often criticized in the news for the labour, environmental and social externalities of its expanding empire. These critiques underscored the most voiced concerns and anxieties: namely problems with youth labour, its encroachment on community values, environmentalism, globalization of culture, and children's healthy lifestyles.

Young workforce

With well over one million employees, McDonald's impact on the workforce has been significant. By 2000, one out of eight Americans had, at some time in their life, worked for this company. As labour was one of the largest expenses and most unpredictable aspects of the McDonald's system every effort was made to rationalize the workforce. Apart from implementing technology to replace human labour, McDonald's decided to use a youthful workforce.

Yet youth labour proved a double edge sword. McDonald's treatment of its young workers emerged as one of its earliest and most challenging public relations concerns. Critics

argued that youth's lack of experience and eagerness to please left them vulnerable to corporate exploitation.

McDonald's public relations experts have sought to legitimize its labour practices with articles about employee incentive programmes. They have also been careful to feature happy and helpful servers in their marketing campaigns. The declining teen population in the 1980s led the company to hire more new immigrant workers, seniors, and disabled workers, helping to distance the corporation from the controversy of youth labour.

Community and family values

McDonald's began its expansion in the late 1960s in medium-sized towns, where its appeals to cleanliness, value for money, friendly service and family looked in step with the mainly white middle classes suburban inhabitants. Yet as the chain expanded into city centres and small towns, it ran up against those for whom McDonald's suburban values provoked a negative register. In 1969, when a black community in Cleveland boycotted McDonald's restaurants, in protest over the corporation's denial of franchise opportunities for black people, McDonald's value of mass inclusiveness was challenged.

In 1974, the urban residence of Greenwich Village, New York, loudly protested that a second McDonald's chain would threaten local family

owned shops, create more traffic congestion, encourage loitering, and contribute to litter problems. Protesters from Hell's Kitchen New York, to Belmont in the Bronx, rallied against the opening of McDonald's restaurants. Every location McDonald's failed to secure was more than simply a loss of income; it was a blemish on corporate image. Public relations staff worked tirelessly to turn around community opinion.

Environment issues

During the late 1980s the production of beef to feed the hamburger giant supply chain led to the charge that McDonald's devastates the rainforest. Animal rights activists were incensed by how McDonald's promotional weight and availability promoted a meat-based diet that resulted in the poor treatment and slaughter of masses of animals. Yet, by and large press coverage reveals that the biggest environmental nightmare for McDonald's is its waste and packaging.

For 20 years, McDonald's collared its burgers in cardboard, wrapped them in paper and sold them in red cardboard boxes, yet in 1975, the corporation introduced a new Styrofoam package aptly named the "clamshell". Apart from being cheap, the clamshell kept the burger hot, the tomato and lettuce cold, and did not show grease stains. Yet, through the 1980s, as landfills dried up and health professionals drew a link between plastic and a suspected carcinogenic, the clamshell became public enemy No. 1. In 1987, grass roots organizations launched a McToxics Campaign encouraging the public to picket, lobby, and boycott McDonald's to stop their use of plastic packaging.

In 1989, McDonald's agreed to set up a \$16 million national recycling programme for its packaging and become a major purchaser of recycled materials. In a bid for legitimacy, McDonald's joined with three members of the Environmental Defense Fund to research and draft recommendations for changing McDonald's packaging and waste. A year later McDonald's outlined a 40-point plan to reduce its waste stream by 80 per cent, by measures such as trimming the size of its napkins and introducing refillable coffee mugs. The most important point in the plan was the agreement to eliminate foam packaging from its 8,500 US outlets and return to paper wrappings.

Fat kids and burger panic

In 1985, when the typical American's diet reached 43 per cent fat, the National Institutes of Health (NIH) announced that daily fat intake be reduced to 30 per cent to avoid health complications. The NIH singled out the fast food industry as a major

contributor of fattening foods and asked them to market leaner meats and other foods. By 1986, the American Medical Association had condemned the hamburger as the leading source of saturated fat in the American diet. As of July 1990 fries and hash browns were fried in 100 per cent vegetable oil instead of the beef tallow mixture of much criticism by food campaigners. Low fat milk, new salads, and more fibre rich breakfast options were added to the menu.

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However, McDonald's was also vulnerable to the charge that it did not warn consumers of the dangers to their health that emerged from a burger rich diet. Following the Center for Science's 1980s request that fast food restaurants supply ingredient information, in 1986 US Senator Chafee from Rhode Island proposed legislation to require ingredient labelling on packaged fast food as a point of law. McDonald's countered that the law would increase costs and defeat the purpose, given consumers received the information after the purchase. Fearing state regulation, McDonald's issued a pamphlet to educate individuals about their products, which include calories, protein, carbohydrate, fat, cholesterol, sodium, vitamins and minerals.

In the summer of 1990, McDonald's agreed to post charts outlining the nutritional content of the food in its 8,000+ restaurants. In 1993 to improve the legitimacy of its food information, McDonald's enlisted the support of the American Dietetic Association in its efforts to target food information to children. Special pamphlets were distributed to children in Happy Meals, with accompanying toy food characters and television commercials. However, McDonald's also made claims, such as meat “can make it easier to do things like climb higher and ride your bike farther”.

McLibel

Nowhere were the converging discontents which surrounded McDonaldization more clearly revealed than in the 1989 McLibel court case.

Against the back drop of aggressive McDonald's expansion in Britain, a group of British Greenpeace activists decided to bring the "irrationalities of McDonaldization" to public attention distributing a leaflet entitled "What's wrong with McDonald's?" that argued McDonald's quest for profit had extended American imperialism into the third world, encouraging labour exploitation and anti-unionism, devastated the environment and gulled children into unhealthy diets.

The authors pointed to medical evidence that linked: "a diet high in fat, sugar, animal products and salt, and low in fibre, vitamins and minerals – which describes an average McDonald's meal" to fatal illnesses such as cancer and heart disease. The leaflet encouraged consumers to boycott McDonald's, enjoy vegetarian diets utilizing home-grown vegetables and eat wholesome slow food together.

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Fiercely protective of its corporate image, McDonald's lawyers served writs on the five campaigners claiming libel. The McLibel case became the longest trial in British history, lingering in the courts for ten years as £10 million of McDonald's legal might battled two environmental advocates who defended themselves (with the help of a vast number of witness supporters) over their rights to publish criticism of the corporation. In 1997, the judge ruled in McDonald's favour on several counts and fined the plaintiffs £96,000. However, the judge also ruled that it was not libelous to claim that McDonald's suppressed labour markets, made deceptive claims about its food, posed a health threat to its long-term customers and exploited children's credulity with its promotions. If anything, the court case only served to illustrate the activists' claims that this corporation used its position of global wealth and power to pummel those who would challenge its public image.

The end of an empire?

The cumulative weight of negative publicity, coupled with burger fatigue, and stiff competition

from Subway and Starbucks (both of which offered healthy sandwich options) was showing up on the bottom line of the McDonald's Corporation as globalization, competition from other restaurants, and changing tastes and lifestyles began impacting the fast food restaurant market. Between 1998 and 2002, McDonald's experienced declining rates of growth and its actual share of the fast-food market fell more than three per cent. Sales were stagnant since 2000 and plummeted 2.8 per cent in 2002, representing the first ever decline in the corporation's history. In Europe too, stiff competition from other fast food chains and anti-McDonald's sentiments began to effect the bottom line. After 30 years of phenomenal growth in Britain, McDonald's, who directly controls two thirds of the 1,235 UK restaurants, reported a £61 million decline in their profits from the previous year. But most tellingly McDonald's stock lost about 70 per cent of its value.

Moreover, it was now paying the price for its litigious folly. Way back in 1990, McDonald's had announced that it would replace the beef tallow with pure vegetable oil. But a decade later activists found that because the oil change proved costly and altered the flavour of the fries, McDonald's had not followed through on this commitment.

In 2000, John F. Banzhaf III, a law professor at George Washington University encouraged his students to work with him to launch court cases on behalf of vegetarians and religious non meat eaters who claimed they had been falsely misled by the company. In 2002 the judge ruled in favour of vegetarian and religious groups and McDonald's was fined \$10 million in a master settlement agreement that controlled the terms of pending cases.

The turn of the millennia brought the World Health Organization's (WHO) public declarations of a globesity crisis which fuelled criticism of fast food culture. Given its market leader status and super-sized marketing budgets, parenting advocates around the world condemned McDonald's for its excessive marketing to children.

McDonald's not only found itself having to defend its right to advertise to children in the UK, but in the USA, crusading lawyer Hirsh brought forward a law suit on behalf of the parents of two overweight teenagers who claimed their children were not aware that McDonald's food was fattening. In this instance, the Judge dismissed the case.

Hirsh then filed a revised complaint accusing the fast food giant of making misleading nutritional claims. The complaint not-only included the two

original girls, but was filed on behalf of “hundreds of thousands of New York state residents under the age of 18” who suffer health problems as a result of eating McDonald’s food.

McDonald’s lawyers contended that it would be impossible to establish whether eating at McDonald’s was a major cause of these children’s ailments because genetics, medical conditions and sedentary lifestyles could also be factors. So it is the parents, not the fast food industry’s fault if kids are eating improperly and are not active enough. The court agreed with McDonald’s noting that it was reasonable to assume that most people were aware that McDonald’s food was fattening. However, it was the release of a documentary, which shows filmmaker Morgan Spurlock damaging his health by eating nothing but McDonald’s food for a month that became the straw that broke the camel’s back. Faced with shareholder dismay at its declining profitability, McDonald’s once again opted for a public relations turn around.

Re-branding

The head office decided it was time to stop the decline in global profits and the bleeding of customers to healthier options, and charged its communications specialists to respond to the changing climate of opinion. This McDonald’s did with great fanfare devoting billions of dollars in a global corporate re-branding intended to blunt McDonald’s association with unhealthy kids.

Charlie Bell, the CEO of McDonald’s whose “plan to win” approach was a revival of the five P’s of marketing price, people, product, place and promotion. At an operational level, McDonald’s stores were to be given new interiors, revamped staff uniforms and packaging, and new menu items. In their UK print and outdoor campaigns, a golden question mark now replaced the Golden Arches explained by the tagline “McDonald’s. But not as you know it”.

Menu changes alone could not achieve the turn around, however, so McDonald’s also developed a two-pronged global marketing strategy. They decided to sidestep the child market by targeting teens rather than children, ironically returning to the burgers original fans. Their first ad in the global youth campaign featured, global pop star Justin Timberlake singing its new “I’m Lovin’ it” strapline. This youth campaign focus unfolded with growing sponsorship of MTV show *Advance Warning* followed by ads employing hip yet dynamic teen icons like skater legend Tony Hawk to speak to its new youthful targets based around four core areas: music, sport, fashion and entertainment.

Future struggles

The David and Goliath struggles between the public and corporations are likely to remain endemic to the future politics of the global marketplace. Clearly the defence and maintenance of a corporate legitimacy must now go well beyond spinning positive media stories and promoting happy lifestyles: brand myth-making today is a multiplex and volatile affair which includes brand advertising, community relations, social marketing, government lobbying, and even litigation as key elements of corporate survival.

However, unlike the issues raised by student and environmental advocates, the lifestyle anxieties encountered in the globesity debates arise from the middle class worries of stressed out parents who have trouble childrearing. These are not likely to dissolve in a flurry of lifestyle advertising. So perhaps there remains an accumulated cost of public trust emerging from a deepening parental scepticism towards the corporate ethos of McDonald’s. □

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This is a shortened version of “From McLibel to McLettuce: childhood, spin and re-branding”, which originally appeared in *Society and Business Review*, Volume 2 Number 1 2007.

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