

McDonald's case study essay



' Beef Controversy' Group 9: SaurabhJanwalkar -75 Dhvani Parekh- 89 Karan Savardekar - 103 Nikita Thakur - 113 SwapneelVaidya - 117 McDonald's ' Beef Fries' Controversy McDonald's is the world's largest chain of hamburgerfast food restaurants, serving around 68 million customers daily in 119 countries. Headquartered in the United States, the company began in 1940 as a barbecue restaurant operated by Richard and Maurice McDonald. In 1948 they reorganized their business as a hamburger stand using production line principles.

McDonald's was started as a drive in restaurant by two brothers, Richard and Maurice McDonald, in California. The business was generating US \$200000 per annum in 1940's. They introduced a new concept called self service and designed their kitchen for mass production with assembly line procedures. Prices were kept low; speed, service and cleanliness became the success factors for business. The original mascot of McDonald's was a man with a chef's hat on top of a hamburger shaped head whose name was " Speedee". Speedee was eventually replaced with Ronald McDonald by 1967 when the company first filed a U.

S. trademark on a clown shaped man having puffed out costume legs. As word of their success spread, franchises started showing interest. Ray Kroc finalized a deal with McDonald brothers in 1954. He established a franchising company the McDonald System Inc and appointed franchises. By the end of 1960's Kroc had established over 400 franchising outlets. In 1965 McDonald's went public. By the end of 1970's, McDonald's had over 5000 restaurants with sales exceeding three billion US dollars. By 1998, McDonald

was operating 25, 000 restaurants in 116 countries, serving more than 15 billion customers annually.

However controversies started erupting one after the other for the company. The biggest controversy was the McDonald's Beef Fries controversy. The lawsuit which was filed in Seattle, US alleged that the company had, for a decade, duped vegetarian customers into eating French fries that contained beef extracts. This issue caused a great furore among the customers. Q1. Analyse the various allegations levelled against McDonald's before the French fries controversy. What perpetual processes contributed to so much hostility and criticism despite McDonald's being the number one fast food chain in the world?

McDonald's has a long history of lawsuits being filed against it. It had been frequently accused of resorting to unfair and unethical business practices. Some of the allegations are as follows. * In the late 1990's the company had to settle over 700 incidents of scalding coffee burns. McDonalds kept the coffee at 185° F which is 20° F hotter than the standard temperature at other restaurants. An 81 year woman suffered third degree burns on her lower body that required skin grafts and hospitalization for a week. After McDonalds dismissed her request for compensation for medical bills she filed a lawsuit against the company. Another case was filed by a woman who was permanently scarred by an extremely hot pickle slice in a hamburger. * A customer who found the crushed head of a rat inside his hamburger also filed a lawsuit. * Nutrition: It was alleged that Mc Donald's sell high-fat, low fibre food which can cause diseases such as cancer, heart problems, obesity and diabetes. But McDonalds refuted the allegation saying that scientific

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evidence has never been conclusive and that it had a right to sell junk food just like chocolate or ice-cream manufacturers did. Environment: It has also been accused of destroying tropical forests to facilitate cattle ranching. *

Advertising: It was alleged that the heavy advertising by McDonalds was exerting a negative influence on children and exploiting them. *

Employment: McDonalds is accused of offering low wages and forcing local food outlets out of the business. Charges of discrimination, curtailing workers rights, understaffing, few breaks, illegal hours, poor safety conditions, crushing unionization attempts, kitchens flooded with sewage and selling contaminated food were also leveled against the company. Animals:

McDonald's slaughters hundreds of thousands of cows, chickens, lambs and other animals per year. * Expansion: It was alleged that McDonalds was

creating a globalized system in which wealth is drained out of the local economies into the hands of a very few rich elite. This resulted in self

sufficient and sustainable farming being replaced by cash crops and

agribusiness under control of multinationals. * Free speech: It has also been alleged that McDonalds uses its clout to influence media and legal powers to intimidate people into not speaking out against the company.

These are the various allegations leveled against the company. Q2. Discuss the French Fries controversy and critically comment on the company's stand that it had never claimed the fries were vegetarian. Do you think the company handled the controversy effectively from the point of management of rumour? The French fries controversy: In May 2001, a class action lawsuit was filed against McDonald's in Seattle, US. The lawsuit alleged that

McDonalds had duped vegetarian customers into eating French fries that contained beef extracts.

The French fries served at McDonald's were falsely promoted as being 100% vegetarian. The French fries controversy began in 2000 when a Hindu Jain software engineer Hitesh Shah based in US happened to read a news article which mentioned that the French fries at McDonalds contained beef. Shah sent an email to the customer service dept of McDonalds regarding the contents to which they replied that McDonald's French fries suppliers use a miniscule amount of beef flavouring as an ingredient in the raw product.

They also said that they follow the ' Code of Federal Regulations' and that beef was not listed as an ingredient because normally the ingredients in ' natural flavors' are not broken down. Then a popular Indian-American newspaper, West India, carried Shah's story and the news created widespread outrage among Hindus and vegetarians in the US. McDonald's immediately released a statement saying that they never claimed that the French fries were 100% vegetarian. They said that the fries were cooked in pure vegetable oil and the company never stated that the fries were appropriate for vegetarians.

They also said that it was upto the customer to ask about the flavor and its source. Later the activists found a letter sent by the company's corporate headquarters to a consumer in response to an inquiry about vegetarian menu items. The mail clearly bundled French fries along with garden salads, whole grain cereal and English muffins as a completely vegetarian item.

Further it was reported that many McDonald's employees repeatedly told customers that there was absolutely no meat product in the fries.

The 'beef fries' controversy attained a greater dimension in India as 85% of the country's population was vegetarian and the non-vegetarians also did not consume beef usually because Hindus consider cows to be holy and sacred. Meanwhile in June 2001, another class action lawsuit was filed in the District Court in Travis County, Austin, Texas on behalf of all Hindus in Texas, alleging that Hindu moral and religious principles had been violated by their unintentional consumption of French fries that were flavoured with beef.

Later two more lawsuits were filed in Illinois and New Jersey, taking the number of cases to five. Our views: We do not think that McDonald's handled the controversy effectively as: * They did not accept their mistake in the start and McDonald's said that they had never proclaimed French fries to be appropriate for vegetarians while their employees repeatedly told customers that there was absolutely no meat product in the fries. * Also they blamed their mistake on the customers by saying that the customers should have asked about the flavors and its source.

This enraged the vegetarian customers further. * As the public outrage intensified, McDonald's released its conditional apology on its website admitting that the recipe for the fries used a miniscule trace of beef flavoring. However they did not accept that they misled the customers and they were not truly apologetic of their actions. * They said that they were complying with the law in terms of disclosing their ingredients, but they should have gone beyond the law and should have paid attention to

consumers who avoid certain food product for religious, ethical and health reasons. McDonalds' paid 10 million US\$ to vegetarian , religious groups & various groups devoted to Hindus , Sikhs & children nutrition which the Indian attorney Harish Bharti thought was insufficient in monetary terms. * They gave an unconditional apology on the company website, newspaper & various other publications. * Also McDonald's decided to convene an advisory board to advice on vegetarian matters. Q3. Discuss the steps taken by McDonald's to play down the French fries controversy and critically comment whether the company will be able to come out of this unscathed.

The French fries controversy impacted the image of the McDonald's badly because of this McDonald's was facing losses & protests from various groups. Steps taken by Mc Donald's to play down the French fries controversy * In March 2002, McDonald's announced to pay 10 million US dollars to the religious groups in a proposed settlement. Around 60% of this payment went to vegetarian organizations and the rest to various groups devoted to Hindus and Sikhs, children's nutrition and kosher dietary practices. * It also decided to pay 4000 US \$ each to the 12 plaintiffs in the five lawsuits. They also gave a detailed apology on the company website, newspapers and in various other publications. * McDonald's also decided to convene an advisory board to advice on vegetarian matters. * They apologized for their mistakes in the newspapers. McDonald's acknowledged that after switching over to vegetable oil in the 1990's for the purpose of reducing cholesterol, mistakes were made in communicating to the customers about the ingredients in French fries. They apologized for the miscommunication and the hardships caused to the customers. Our views:

No, we do not think that McDonald's would come out completely unscathed because: * The Company would lose the customers base whose sentiments have been hurt because of this controversy. * People will now think twice before going to McDonald's even after the companies claim not to use beef oil in the fries because McDonald's had made false promises earlier as well. * Also it was revealed that McCain Foods was still in the process of growing the appropriate potatoes and needed another 2 yrs to begin supply, therefore the French fries were being sourced from the US. The brand & ethics of the company have been dented because of this controversy which McDonald's would take a long time to build back their image. But with all this McDonald's also implemented some positive policies which will help them regain their brand image. * They set up an advisory board to advise on vegetarian matters * McDonald's also developed a special menu for Indian customers taking into consideration Indian culture and religious sentiments. They maintained quality standards by rejecting Lamb Weston's supply of partially fried French fries as they did not meet quality standards. Suggestions: * Can come up with pure veg. restaurants. * No beef oil should be used in the frying process. * Separate veg. kitchens from non-veg. restaurants. * Should maintain the quality standards * Give details about the menu i. e. ingredients on the company's website. Employees should also be made aware about the ingredients in food.