

McDonald's beef-fries controversy

[Business](#), [Company](#)



McDonald's was started as a drive-in restaurant by two brothers, Richard and Maurice McDonald in California, US in the year 1937. The business which was generating \$200,000 per annum in the 1940's, got a further boost with the emergence of a revolutionary new concept called "self-service". The brothers designed their kitchen for mass production with assembly line procedure. By mid-1950's restaurant's revenue reached \$350,000. As word of their success spread, franchisees started showing interest. However, franchising system failed because the McDonald brothers observed very transparent business practices.

As a consequence, they encourage imitators who copied their business practices and emerged as competitors. The franchisees also did not maintain the same standards for cleanliness, customer service and product uniformity. By this point, Ray Kroc, a distributor for milkshake machines finalized a deal with the McDonald's brothers and McDonald's went public. By the end of 1970's, McDonald's had over 5000 restaurants with sales exceeding millions. However, in the early 1990's, McDonald's was facing problem due to changing customer preferences and increasing competition.

Customers were becoming increasingly health conscious and they wanted to avoid red meat and fried food. They also preferred to eat at other fast-food joints that offered discounts. During this time, McDonald's also faced increased competition from supermarkets, convenience store, local delicatessens, gas stations and other outlets selling reheatable food. In May 2001, a class action lawsuit was filed against the world's largest fast-food chain McDonald's, in Seattle, US. The lawsuit alleged that the company had,

for over a decade, duped vegetarian customers into eating French fries that contained beef extracts.

The lawsuit followed a spate of media reports detailing how the French fries served at McDonald's were falsely promoted as being '100% vegetarian.' Although McDonald's initially declined to comment on the issue, the company issued a 'conditional apology,' admitting to using beef flavoring in the fries. The furore over the matter seemed to be settling down, when to McDonald's horror, some of its restaurants in India were vandalized.

Activists of Hindu fundamentalist groups - the Shiv Sena, the Vishwa Hindu Parishad (VHP) and the Bajrang Dal, staged a demonstration in front of the McDonald's head office in Delhi protesting the alleged use of beef flavouring. They submitted a memorandum to the Prime Minister, demanding the closure of all McDonald's outlets in the country. Activists also staged protests in front of McDonald's restaurants in south Mumbai and Thane. Mobs ransacked the outlet at Thane, broke the glass panes and smeared the McDonald's mascot Ronald with cow dung. About 30 people were arrested and later let off on bail. Company officials estimated the loss to the outlet at Rs 2 million.

Officials at McDonald's India quickly announced that the vegetarian products served in India did not have any non-vegetarian content. However, despite this reassurance, the anti-McDonald's wave refused to die down. Meanwhile, more cases were being filed against McDonald's - this time in California, US and Canada. It seemed certain that the company would have to shell out millions of dollars to settle the class action lawsuit representing the 1 million

US based Hindus and 15 million other vegetarians. McDonald's mission is to be our customers' favorite place and way to eat.

McDonald's vision We aspire to end hunger one meal at a time providing low cost- high quality nutritional food globally. Statement of Objectives To be able for the company to clear out their name and regain their reputation to their respective consumers Central Problem A class action lawsuit was filed against the world's largest fast-food chain McDonald's. The lawsuit alleged that the company had, duped vegetarian customers into eating French fries that contained beef extracts. SWOT ANALYSIS Strength: * McDonalds holds a very strong brand name worldwide. Innovative products to attract the customers * McDonald's offers the consumers reasonable value, great service and choice. * Worldwide brand image and reputation Weaknesses:

* Lack of organic foods on their menu. * Growing health awareness among people. * Quality issues across franchising Opportunities: * Introduction of healthier menus. * Customer Loyalty through memberships and special offers. * It can introduce Chinese, Italian or Japanese foods in its menu. Threats: * The change in the nutritious diet by the people. * Emerging competition of similar outlets that provides healthy food. Negative news about McDonald's on media like obesity problems caused due to its products. Alternative Courses of Action

1. Corporate needs to pay attention to consumers who avoid certain food products for religious or health reasons, or because they have allergies.

Advantage: * The company's customer who watch what they eat will see that the company are more concern with their health rather than the company's income. Disadvantage: * It could have difficulty in retaining customers who

<https://assignbuster.com/mcdonalds-beef-fries-controversy/>

were accustomed to beef flavored fries. 2. Focus more on its Franchise system.

Advantage: * They will have uniform operation- standardization.

Disadvantage: * Difficult to achieve redress if local, regional and national advertising franchisor fails to meet obligations. 3. To remain an efficient producer while maintaining quality by looking to innovations in food processing, construction, and design operations. Advantage: * It will gain global profit because doing so will attract a lot of customers. Disadvantage:

* Allot another budget for expenses. CONCLUSION We therefore conclude that the best solution is alternative course of action No. which is the Corporate needs to pay attention to consumers who avoid certain food products for religious or health reasons, or because they have allergies because it is the moral and ethical responsibility of a company to be honest about the products and service it offers. Plan of Action 1. Provide exceptional customer care by exceeding customer expectations. 2. Find ways to add personal touches that go beyond convenient locations, quick service, clean restaurants, and quality products. 3. Innovate and adapt, thus making necessary changes when the need arises. Potential Problem 1.

What if they increase spending on customer service efforts? 2. What if they fail to pursue the organic segment of the fast food industry? 3. What if the customers are not satisfied with their new flavored fries? Contingency Plan * The company will be able to clear their name and they will have the opportunity to decrease their legal challenges from the people who had sue them. * Spend money on research and development to create new products and services and increase the efficiency of operation. * The company must

<https://assignbuster.com/mcdonalds-beef-fries-controversy/>

conduct survey about the new flavored fries so that the company will know what to improve more when it comes to its taste.