

CASE 2-7 McDonald's and Obesity

THE PROBLEM

Governments and influential health advocates around the world, spooked that their nations' kids will become as fat as American kids, are cracking down on the marketers they blame for the explosion in childhood obesity. Across the globe, efforts are under way to slow the march of obesity.

In the United States, roughly 30 percent of American children are overweight or obese. According to the U.S. Centers for Disease Control and Prevention (CDC), an estimated 64.5 percent of Americans tip the scales as overweight or obese, the highest percentage of fat people of any country in the world. However, adults and kids in other countries are catching up.

THE WORLD

The World Heart Federation reports that globally there are now more than 1 billion overweight adults and that at least 400 million of those are obese. An estimated 155 million children are overweight worldwide including 30–45 million who are obese.¹

In many countries, the worst increases in obesity have occurred in young people. About half a million children in Europe are suffering classic middle-aged health problems because they are too fat. Obesity among European children has been on the rise over the last 25 years. The number of overweight children in Europe did not change much from 1974 to 1984; then the rate started to creep up during the next 10 years, and it exploded after 1995.

In Britain, one in five children is overweight or obese; in Spain 30 percent; and in Italy, 36 percent. While less than 1 percent of the children in Africa suffer from malnutrition, 3 percent are overweight or obese.

Perhaps the most distressing data come from Asia, where the measure of being overweight used in Western countries may underestimate the seriousness of weight-related health problems faced by Asians. In Japan, for example, obesity is defined as a body mass index (BMI) level of 25 or more, not 30 as it is in Western countries. But Japanese health officials report that a BMI of 25 or more is already causing high rates of diabetes. About 290 million children in China are thought to be overweight, and researchers expect that number to double in the next 10 years. The World Health Organization has warned of an escalating global epidemic of overweight and obesity.

GLOBAL REACTIONS TO OBESITY

One of the perplexing questions is why there has been a relatively sudden increase of obesity worldwide. Some opine that fast-food portion sizes are partly to blame; the average size order of French fries has nearly tripled since 1955. Some people say advertising is to blame, particularly ads aimed at children, such as those

that use celebrities to market high-calorie foods. According to *USA Today*, one study found that the average American child sees 10,000 food ads a year, mostly for high-fat or sugary foods and drinks.

Traditionally, in developing countries, the poorest people have been the thinnest, a consequence of hard physical labor and the consumption of small amounts of traditional foods. But when these people in poor countries migrate to cities, obesity rates rise fastest among those in the lowest socioeconomic group.

Even as food companies' battle U.S. lawsuits and legislators who blame them for inducing childhood obesity, they're being attacked on another front—Europe—which is threatening, among other things, to ban advertising icons such as Tony the Tiger and Ronald McDonald. "I would like to see the industry not advertising directly to children," said one European health commissioner. "If this doesn't produce satisfactory results, we will proceed to legislation." The European Health Commission has called for the food industry to set its own regulations to curb so-called junk-food advertising aimed at the European Union's 450 million citizens—or face bans similar to the tobacco industry.

The ominous comparison to cigarettes is increasingly being made in the United States as well. Commenting on a McDonald's plan to send Ronald McDonald to schools to preach about nutrition, an aide to a U.S. senator said, "No matter what Ronald is doing, they are still using this cartoon character to sell fatty hamburgers to kids. Once upon a time, tobacco companies had Joe Camel and they didn't get it either."

Also under fire is TV advertising of kids' foods, as calls for curbs or bans rise around the world. "If the rise in [the] child obesity trend continues, within five years we'll be in the same situation as America is today," said a senior child nutritionist at the University of Copenhagen who sits on the board of Denmark's National Board of Nutritional Science. "Banning TV ads that are targeting kids is an important strategy to adopt." But there is an argument that those measures won't help. "In Sweden, Norway and Quebec, where food ads are banned from kids' TV, there's no evidence that obesity rates have fallen."

A new law in France will force food marketers to choose between adding a health message to commercials or paying a 1.5 percent tax on their ad budgets to fund healthy-eating messages. Other measures under consideration in Europe include banning celebrities and cartoon characters from food ads aimed at children and preventing food marketers from using cell phone jingles to reach kids.

Ireland bans celebrities from food and beverage ads aimed at children and requires confectionery and soft-drink spots broadcast in programs where half the audience is younger than 18 years of age to carry a visual or voice-over warning that snacking on sugary foods and drinks can damage teeth. Ireland is a small market, but there are fears that these measures could spread to the United Kingdom and then to the rest of Europe, especially since many advertisers run the same campaigns in the United Kingdom and Ireland.

¹"Obesity," World Heart Federation, May 2007, <http://www.world-heart-federation.org>.

Unlike France and Ireland, the United Kingdom is trying a more carrot-and-stick approach, encouraging self-regulation with legislation as a last but threatened resort. The U.K. government published health recommendations giving the food and beverage industries until early 2007 to act more responsibly or face formal legislation. The document followed a high-profile U.K. government inquiry into child obesity. Marketing and agency executives called to give evidence were grilled publicly over the use of celebrities in ads, inciting kids' "pester power" and high salt and sugar content in foods.

The paper's proposals include clamping down on using cartoon characters to appeal to kids in food and beverage ads, potentially dooming brand icons such as Kellogg's Tony the Tiger. There have also been calls for a ban, like Ireland's, on celebrity endorsement in "junk-food" advertising. In a country where the biggest grocery-store brand, PepsiCo's Walker's Crisps, relies on celebrities in its ad campaigns, that's a big deal.

The Nordic countries are the most militant about enacting laws to ban or restrict marketing of foods that they consider unhealthy to children and fighting to extend those restrictions to the rest of Europe. The toughest laws against advertising to children have long been in Scandinavia, where the health risks of obesity and diabetes from high sugar consumption are sometimes compared to tobacco. The legislatures in Sweden, Finland, and Denmark are all considering even tighter controls on marketing sugary foods. Denmark's National Consumer Council has petitioned the government to ban marketing "unhealthy food products" to anyone under 16 years of age, and Finland's legislature is hearing from health groups that want a total ban on TV ads for sugar-laden food. Commenting on such proposals, the CEO of the Finnish Food and Drink Industries Federation said, "Implementing stricter controls on advertising food and drinks will not be a quick-fix answer to all these problems."

"The European Union is on it, Washington is on it, the ball is rolling now and the food companies have to do something," said one top advertising agency executive. But he added, "I hope food companies won't be bullied into doing things that play to the politicians," noting there are other contributing factors for obesity, such as low income. He said food marketers could truly contribute to a solution by putting money into programs like the USDA's Nutrition Program for Women, Infants and Children, a subsidized food and education program that also happens to be very good at driving sales for the products approved for the list. The key is to translate the hype to real solutions like physical education in schools and parents—the most important role models according to substantiated research—reclaiming responsibility. "If a food has a right to exist, a marketer has the right to advertise it."

Marketers are struggling against a crackdown on food advertising amid growing concern over obesity throughout the world. Marketers are trying to avert a clampdown with greater self-regulation. But despite a slew of individual company efforts to shift new-product and marketing focus to healthier offerings, the industry has, until now, largely shied away from defending itself more broadly.

MCDONALD'S RESPONSE

For the last few years, McDonald's has reacted to the obesity issues in several ways in the United Kingdom and other countries. Concerned about consumer reaction to the film *Super*

Size Me,² McDonald's Corp. broke a U.K. campaign called "Changes" with poster ads that omit the Golden Arches for the first time, replacing them with a question mark in the same typeface and the tagline "McDonald's. But not as you know it." Promoting ongoing menu changes, the posters feature items such as a salad, a pile of free-range eggshells, pieces of fruit, and cups of cappuccino. The effort preceded a direct-mail campaign to 17 million households touting healthier menu items and smaller portion sizes.

McDonald's aim was to cause people to think differently about McDonald's and to make the public aware of new products. "There's no intention to abandon the Arches" but only to focus attention on the "healthy" additions to the menu. Despite the new campaign, research showed the chain hadn't received the hoped-for awareness for some of the newer items on its menu, including the all-white-meat Chicken Selects and the fruit bags. More worrisome, a research study revealed that frequent users didn't like to admit to friends that they ate at McDonald's. "We don't want to have closet loyalists."

One researcher urged more time for McDonald's "Changes" campaign to get traction. "The market position and market stature of McDonald's in the U.K. is not nearly as strong as it is in the U.S. and accordingly, you have to stick with the program longer," he said. But he warned that the "Changes" campaign could backfire. "Trying to suppress the logo is not likely to change the hearts and minds of many fast-food voters in Europe."

In anticipation of the release of the documentary *Super Size Me* in the United Kingdom, McDonald's in London went on the defensive with full-page newspaper ads discussing the film. The ads, headlined "If you haven't seen the film 'Super Size Me,' here's what you're missing," have appeared in the film-review sections of six newspapers to coincide with filmmaker Morgan Spurlock's appearance at the annual Edinburgh film festival. The copy describes it as "slick and well-made," and says McDonald's actually agrees with the "core argument" of the film—"If you eat too much and do too little, it's bad for you." However, it continues: "What we don't agree with is the idea that eating at McDonald's is bad for you." The ad highlights some of McDonald's healthier menu items such as grilled chicken salad and fruit bags. A spokeswoman for McDonald's said it ran the ads to ensure there was a "balanced debate" about the film. *Super Size Me* distributor Tartan Films has retaliated by running identical-looking ads in newspapers promoting the film.

As a direct response to government calls for food marketers to promote a more active lifestyle, McDonald's U.K. launched an ad campaign aimed at kids featuring Ronald McDonald and animated fruit and vegetable characters called Yums. In two-minute singing-and-dancing animated spots, the Yums urge, "It's fun when you eat right and stay active."

²*Super Size Me* is a documentary about the fast-food industry and the addictiveness of fast food, its allure to children, and so forth. Scenes in the film feature Morgan Spurlock (the director, producer, and star of the documentary), whose fast-food feat consists of eating some 5,000 calories a day, twice what his doctor says he needs to maintain his starting weight of 185 pounds. He also avoids exercise because, he says, that's what most Americans do. Spurlock gains weight—nearly 25 pounds over 30 days. His cholesterol goes up, and so does his blood pressure. His doctor describes his liver function test results as "obscene." Spurlock complains of sluggishness, depression, shortness of breath, impotence, chest pressure, and headaches.

Even though McDonald's plans to expand its healthier menu offerings, it does so cautiously, so people remember that the Golden Arches at its core still means burgers and fries.

McDonald's, throughout Europe and elsewhere, is testing ways to address the obesity issue. In Scandinavia, for example, popular healthy local foods have been added to the McMenu, like cod wrapped in rye bread in Finland. In Norway, some outlets sell a salmon burger wrapped in rye bread. In Sweden, no salt is added to the food served. In Australia, McDonald's took a different approach—it reduced its budget for ads directed to kids by 50 percent.

McDonald's French operation raised the ire of the parent company when it ran a print ad in a women's magazine quoting a nutritionist's suggestion that kids shouldn't eat at the restaurant more than once a week. While the ad was meant to promote McDonald's and seems reasonable since the French only visit quick-service restaurants every two weeks on average anyway, such a campaign would have been heresy in the United States. McDonald's Corp. later issued a statement claiming that "the majority of nutritionists" believe McDonald's can fit into a balanced diet. Later, the company recruited a pair of French nutritionists who declared the Big Mac and cheeseburger healthier than traditional French fare such as quiche.

Marketers in France have lobbied hard to be allowed to use positive lifestyle messages in ads—like emphasizing the importance of physical exercise and a balanced diet—rather than grim health warnings. France's Ministry of Health appears to be listening and is now expected to let marketers choose among three or four positive health messages. Industry experts say the government changed its mind out of fear that strong warnings might backfire, causing anxiety among consumers about eating. Moreover, France may hope its new law, if not too extreme, will become a blueprint for Europe.

Although McDonald's responded to the obesity issue with menu changes and reworking its advertising, McDonald's didn't stop advertising to children. The chief executive of McDonald's pooh-poohed the idea that McDonald's should "go dark on communications" to kids—two-and-a-half million U.K. customers every day, a fair portion of them under 16 years. McDonald's is keeping children firmly in its marketing sights. School's out, ads for the kids' big summer movie releases are slapped on burger boxes, and a trip to McDonald's is on the holiday menu. McDonald's defense is that McDonald's Ronnie's YumChum friends are positively bursting with healthy advice. There's even a song: "Don't let your Yum-Chums get glum, put healthy stuff in your tum."

One of the casualties of the obesity turmoil may have been the tie between McDonald's and Disney's line of cartoon characters, a marvel for attracting young children to the Golden Arches. Disney failed to renew its 10 year exclusive partnership with McDonald's. Both parties insist it was a mutual decision that would allow each to seek more profitable promotions. However, the growing concern over the obesity epidemic may have proved critical for Disney, which has become increasingly worried that its links to McDonald's would damage its family-friendly image. For its part, McDonald's may have wanted to avoid being linked to box-office flops such as *Treasure Planet*.

THE MARKET'S REACTION

Initially, McDonald's sales worldwide, as well as in England, suffered. However European sales last year, from restaurants open all year, was 5.8 percent, outstripping even U.S. growth. Some

320,000 more people a day than the year before visited McDonald's in Britain. Around 90 percent of them are buying traditional products such as burgers, fries, and ice cream rather than the healthier sandwiches and salads the chain stocks. The estimates mark a big turnaround for McDonald's, which bounced back after negative publicity about fat content in its food. McDonald's changed menu—with such items as porridge, smoothies, and chicken wraps—is one reason for the growing business.

The government has spent large sums on promoting healthier diets and the message to eat five portions of fruit and vegetables a day as obesity levels continue to rise. There's been enough publicity about the relentless rise and impact of obesity, but from the figures, it seems the public is choosing to ignore them. More than 88 million visits were made to McDonald's worldwide restaurants in one month, up 10 million on the previous year.

THE PRINCE CHIMES IN

Just as the focus on obesity was giving away to concerns about anorexia and the pressure being put on young girls by so-called size zero models at a British Fashion Week, Prince Charles, Prince of Wales and future King of England, tipped the scales back in the direction of obesity. On a royal visit to the Middle East, the Prince suggested that McDonald's was to blame for an obesity epidemic among children. Charles asked: "Have you got anywhere with McDonald's? Have you tried getting it banned? That's the key." His comments were reported internationally, with reactions that were more positive for McDonald's than one would expect.

Positive comments from several sources attested to the effectiveness of the work that McDonald's had done to improve its image. Health advocates and nutritionists said a ban on McDonald's was "certainly not the answer" to Britain's obesity epidemic. Even the press ran articles favorable to McDonald's. One referred to the Prince as a hypocrite, because his company, Duchy Originals (one of the United Kingdom's leading brands of organic food and drink),³ offered fast foods whose fat and calorie content was no better, if not worse, than McDonald's. The Duchy Originals' Cornish pasty carries 264 calories per 100g, considerably more than the 229 per 100 g of the Big Mac, and the fat content is 13.6g per 100g, which is higher than the 11.12g in the Big Mac. A medium portion of fries from McDonald's contains 298 calories per 100g; again this amount is considerably less than the 464 per 100g contained in the Duchy Original Organic Hand Cooked Vegetable Crisps. A 100g serving of Duchy Original's Organic Lemon Tart has 337 calories (one-third more than the McDonald's Apple Pie).

The Prince's comments were later downplayed, stressing that he was merely advocating a balanced diet, especially for children, and wanted to make the point that burgers and chips were not the only foods available to them.

McDonald's took a conciliatory tact stating, "The comment made by the Prince of Wales appears to be an off-the-cuff remark that, in our opinion, does not reflect either our menu or where we are at as a business. We know that other Royal Family members have visited and have probably got a more up-to-date picture of us." Prince Harry certainly does not share his father's distaste for

³In 1990, the Prince created Duchy Originals because of his belief in the clear advantages of organic farming, the production of natural and healthy foods, and sound husbandry, which helps regenerate and protect the countryside. All of the profits from Duchy Originals are donated to the Prince of Wales's Charitable Foundation.

McDonald's and often eats their burgers. He even took advantage of a "buy one get one free" offer, then wolfed down two chicken burgers outside a McDonald's in Plymstock, Devon.

QUESTIONS

1. How should McDonald's respond when ads promoting healthy lifestyles featuring Ronald McDonald are equated with Joe Camel and cigarette ads? Should McDonald's eliminate Ronald McDonald in its ads?
2. Discuss the merits of the law proposed by France that would require fast-food companies either to add a health message to commercials or pay a 1.5 percent tax on their ad budgets. Propose a strategy for McDonald's to pay the tax or add health messages, and defend your recommendation.
3. If there is no evidence that obesity rates fall in those countries that ban food advertising to children, why bother?
4. The broad issue facing McDonald's U.K. is the current attitude toward rising obesity. The company seems to have tried many different approaches to deal with the problem, but the problem persists. List all the problems facing McDonald's and critique its various approaches to solve the problems.

5. Based on your response to Question 4, recommend both a short-range and long-range plan for McDonald's to implement.

Sources: Jardine and Laurel Wentz, "U.K. Not Feeling the Love; McD's Puts Slogan on Ice," *Advertising Age*, September 13, 2004; "Thinking Locally," *Advertising Age*, March 7, 2005; Alexandra Jardine and Laurel Wentz, "It's a Fat World After All," *Advertising Age*, March 7, 2005; Steven Gray and Janet Adamy, "McDonald's Gets Healthier—But Burgers Still Rule," *The Wall Street Journal*, February 23, 2005; Stephanie Thompson, "Europe Slams Icons as Food Fights Back," *Advertising Age*, January 3, 2005; Emma Ross, "Obesity Hurting Health of European Children," Associated Press, June 3, 2005; J. E. Brody, "Globesity," *The New York Times*, April 19, 2005; "Disney Drops \$1 bn McDonald's Deal Amid Health Fears," *Belfast Telegraph*, May 10, 2006; "McDonald's Defies Critics With an Even Bigger Big Mac," *The Independent* (London), April 24, 2006; "McDonald's Set to Fight Message in Movie: Chain Warns Franchisees About 'Fast Food Nation,'" *Crain's Chicago Business*, April 10, 2006; "McDonald's . . . Now With Ethical Sauce. Fast-food Giant Takes on the Critics with Soft Lights, Comfy Sofas and the Promise of Great Career Prospects," *Mail on Sunday* (London), April 23, 2006; "Prince Wants McDonald's Off the Middle East Menu as Prince Charles Advises Health Workers in the Middle East to Ban McDonald's," *The Aberdeen Press and Journal*, February 28, 2007; "So Why Does Charles Think McDonald's Is the Root of All Food Evil?" *The Scotsman*, February 28, 2007; "McDonald's Health Wins Back Customers," *The Independent* (London), January 18, 2007; "Sure, McDonald's 'Health Kick' Is a Ruse—But It's Better Than Nothing," *The Independent* (London), July 23, 2007; "UK's McDonald's Outlets Selling More Burgers than Ever Before," *Hindustan Times*, January 7, 2008; "McDonald's Answer to Obesity Fears—A Boom In Burger Sales," *Evening Standard* (London), January 7, 2008.