

## **McDonald's Corporation**

McDonald's was founded in 1940 by two brothers named Richard and Maurice McDonald (Dick and Mack) in San Bernardino, California.[1] It has since become the world's leading global food service retailer with over 32 000 locations around the world.[2] [\[Take time to have a look at the history of McDonalds.\]](#)[3] After Ray Kroc (at that time a multi-mixer salesman) visited McDonald's in San Bernardino in 1954, he was fascinated by the effectiveness of the restaurant's systems. A limited menu—burger, fries and drinks—allowed for a greater focus on quality.[1] In 1955, Ray Kroc founded the McDonald's Corporation, as it is known today, and in the same year opened the first McDonald's restaurant in Des Plaines, Illinois. From here, the McDonald's restaurant chain grew increasingly quickly. [\[View Ray Kroc's contribution to McDonalds.\]](#)[4] Five years later, Ray Kroc bought the rights to the McDonald's name.

Ray Kroc's philosophy for McDonald's was that food served in Alaska should have the same taste as in Alabama. Ray Kroc's unique vision for McDonald's was that it had to include both suppliers and franchisees, so they just don't work for McDonald's, but for themselves as well. Today more than 75 per cent of all McDonald's restaurants worldwide are owned and operated by franchisees.[1] Ray Kroc based his philosophy on the simple three-legged stool; the first leg represented McDonald's, the second the suppliers and the last the franchisees, and the stool was only as strong as its three legs. This analogy reinforces his philosophy that all three legs had to have the same strength or it will collapse.

In 1969 the world famous logo 'the golden arches' was developed and introduced to McDonald's stores. The 'golden arches' logo is the third most famous in the world after the crucifix and the brand of Coca-Cola.[1],[5] Over its lifetime, McDonald's has developed many new initiatives like new product ranges and the opening of the Ronald McDonald House charities. [\[Take the time to read about their history.\]](#)[7] Each day, McDonald's serves more than 60 million customers with their range, from breakfast, smoothies, pappadams and pies to the more traditional McDonald's menu of burgers, french fries and drinks.[2]

In the US market, McDonald's is represented by 14 000 restaurants, 90 per cent of which are owned and operated by franchisees.[9] Recent research by the consultant Technomics shows that McDonald's is well placed, with data indicating its market

share had risen to 49.5 per cent in 2011 and will soon account for more than half of America's fast-food industry.[10] This research also indicates a fall in market share of 133 per cent for rivals Burger King.[10],[11] Mark Kalinkowski, fast food analyst at Janney Capital Markets, suggests that the reason for McDonald's success is, in part, their advantage of economies of scale.[9]

### **McDonald's Corporation and corporate social responsibility**

Corporate citizenship or 'corporate social responsibility' (CSR) requires that companies behave in a socially responsible way and have interaction or dealings with other business parties who do the same. In the last few years there has been an increased growth in public awareness and demand for businesses to act in a socially responsible way. Today's consumers, more often than ever before, demand that companies take CSR into account when they are planning business operations for the future.[12]

Corporate social responsibility must be considered by all businesses not only in terms of the company strategy but also in terms of their marketing. 'An effective strategic corporate social responsibility framework aligns community efforts and donations with core business strategy, company expertise and market needs'.[12] [\[Take a look at the progress of McDonald's Corporate Social Responsibility in this YouTube clip.\]](#)[13]

In more recent times there has been a trend for companies such as McDonald's to be seen to share responsibility for both ecological and social situations in their immediate environment with society as a whole. CSR applies to the whole environment in which the company operates its business and so includes relationships with suppliers and customers as well as society.[14] As a consequence of implementing CSR in a company, the vision and strategy of the company can align with community efforts. This may include supportive and charitable giving which aligns to the company's core business and marketing strategy. Alignment of the corporate strategic framework to the company's CSR, can lead to the development of social capital. This can, in turn, contribute both goodwill and indirect financial returns.[12]

To better understand the CSR framework, Bilson (2010)[12] divided the CSR strategy into three subcategories:

- **Develop a value proposition**

- A value proposition is a statement of the tangible results a customer gets from using the company's products or services. The management has to sell the idea so that the company can be both socially responsible and financially viable.

- **Build sustainability by engaging the community**

- A company should try to change value chain activities, in order to strengthen the company's core business strategy and to benefit the surrounding society. This is done by identifying areas where the company can improve competitiveness and show social responsibility.

- **Measure corporate social responsibility efforts and results**

- It is important for companies who engage in CSR to develop tools for measuring so that they among others can make a cost–benefit analysis of their CSR expenses.

As a global company McDonald's has been aware of the influence CSR has had on the company's image. This started in 1990 when McDonald's and the Environmental Defence Fund (EDF) started to cooperate to find a way to reduce and recycle materials generated by the restaurants, their suppliers and distribution systems.[1] [\[Read more about the relationship with McDonalds.\]](#)[15] McDonald's CSR projects are characterised in the US by their focus on the environment and animal welfare. An example of this is the *Student Conservation Association*, which rewarded high school students for their local environmental efforts. McDonald's has also become a member of the *Sustainable Agriculture Initiative (SAI)*, a program supporting the development of sustainable agriculture worldwide.[1] [\[Hop onto the SAI Platform\]](#) and look at the contributions being made.[16] McDonald's most recent initiative is to work with the *World Wildlife Fund (WWF)* towards a sustainable land management commitment. These initiatives are just some of the CSR projects McDonald's has been and is involved in.[1]

## **Obesity in the United States**

In more recent years McDonald's has been the focus of negative attention related to CSR and obesity both in the United States of America (USA) and around the world. The world is facing an obesity epidemic, which has grown faster in the last 20 years and continues to grow uncontrollably. Statistics from the World Health Organization (WHO) show that worldwide more than 1.5 billion adults over 20 years of age are overweight and 500 million of these are characterised as obese.[18] The most frightening data from the WHO's research shows that nearly 43 million children under five years of age were overweight in 2010.[18] [\[Take a look at the facts behind child obesity in the USA.\]](#)[17]

Today more than 65 per cent of the world's population lives in countries where obesity kills more people than being underweight.[18] [\[Read more about obesity facts.\]](#)[18] Statistics show that the United States of America (USA) has the highest rates of obesity.[19] The USA has particularly high rates of childhood obesity with approximately 9 million children currently considered to be obese.[21] A consequence of this already evident in the USA is that overweight and obese children are much more likely to become overweight and obese adults.[21]

## **McDonald's 'Super Size Me' and CSR**

McDonald's has refused to accept accusations that they have an influence upon the high rates of obesity in the USA. In 2004, Morgan Spurlock made the documentary 'Super Size me'. [\[Take a look at Morgan Spurlock's Supersize Me YouTube Clip now.\]](#)[26] As an experiment he ate all his daily intake of food for 30 days from McDonald's. This 30-day eating trial had a significant negative impact on Morgan Spurlock's health; however McDonald's refused to accept that their food had a negative influence upon his health.[27]

In the documentary, McDonald's offered super-sized meals, but after the public had seen the documentary, McDonald's phased out their super-sized menu and gave the reason that they were downsizing their menu. McDonald's defended itself against the public outcry by calling the documentary 'a super-sized distortion of the quality, choice and variety available at McDonald's'.[27] They responded to the documentary by suggesting that it was Morgan Spurlock's decision to act irresponsibly in eating the

food exclusively, and that the documentary verified the American lifestyle and is therefore not about McDonald's.[27]

This was not the first time McDonald's had misrepresented the food they serve at their restaurants, with, for example, salads offered at McDonald's having more calories than a Big Mac.[28] McDonald's more recent marketing strategy of offering fruit for children shows responsibility, but when consumers purchased the fruit option a caramel dipping sauce was included.[28] Another factor indicating that McDonald's fails to accept any responsibility toward increasing obesity is their refusal to stop using trans fats in cooking their french fries (they claim it will spoil the taste of their fries).[29] McDonald's have continued to justify why they should not have to take responsibility for the American consumers' obesity. Among others are the following examples:

- 'It's not our food that's to blame; it's a lack of exercise'.[28]
- 'It's not our marketing to kids that's to blame; it's all the video games and internet media that distract our kids from physical activity'.[28]
- 'We're a leader in offering healthier menu choices'.[28]

Such comments indicate McDonald's desire to avoid its corporate social responsibility for the negatives of obesity in the USA and other countries in which obesity is becoming a pressing social issue. The tide of public opinion may be turning however, as in more recent times, public health campaigns in the USA have aimed at obesity avoidance by focusing upon reducing portion sizes (see the attached [ABC news video about this](#).[30])

## Questions

1. *To what extent has McDonald's acted in an ethical way in dealing with its corporate social responsibilities (CSR)?*
2. *Is the McDonald's marketing strategy following the three-step framework suggested by Bilson (2010)? Please elaborate.*
3. *Do you think McDonald's is responsible for the increasing problem with obesity? Please elaborate, in terms of their marketing.*
4. *Give some suggestions as to how McDonald's could use their marketing to minimise the negativity about the connection between McDonald's and obesity.*
5. *In spite of the increasing focus on health and CSR responsibilities, why is the McDonald's marketing strategy still so successful?*

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