



Addressing changing food values

- Customers – who range from the very young to the elderly
- Business partners – including franchisees and suppliers
- Employees – with more than 65,000 people employed throughout Australia
- Opinion leaders – or people who shape the ideas of the nation, including the government, the media, health professionals, and environmental groups.

Reconciling the interests of stakeholders is crucial to continued business success. Compare it to a three-legged stool. If one leg is weak or not properly aligned, the entire stool is weakened and can topple over. A strong relationship between McDonald's Australia, its franchisees and its suppliers is essential, with all elements working together to meet customer needs. Responding to a changing business environment is easier if the basic structure is strong.

Keep in mind that change is a two-way street. Businesses are affected by the external environment – but they also help to shape and create that environment. Stakeholders are coming to expect more out of businesses in terms of **corporate citizenship**. Businesses need to be mindful of the effect they have on the broader community, including the health of its youngest members. McDonald's Australia's philosophy is to be continually responsive to market demands, and accept that there is always more to learn. Catriona Noble, the Chief Operating Officer of McDonald's Australia, notes that, '**Social responsibility** challenges are always evolving and we are focused on learning from experts and adapting our operations to maximise the positive impact we can have on our society.'

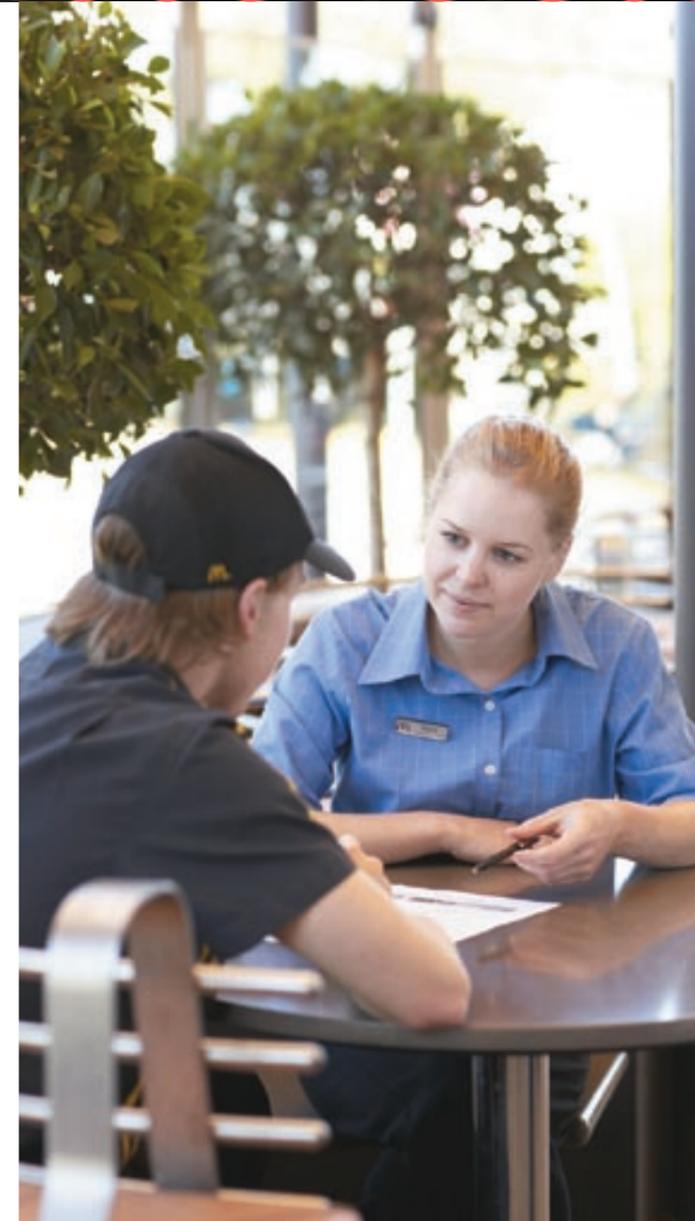
3 Responding to consumer needs

McDonald's Australia's approach has been to listen and learn. Market research is the key to ascertaining the needs of customers, and is composed of two key elements: **qualitative research** and **quantitative research**.

Qualitative research refers to a technique that uses a relatively small sample group and probing questions. It is generally used as a first step, and its purpose is to define any problems and identify the relevant issues. In other words, it aims to answer the 'why' questions, for instance, 'Why do people use this product? Why is consumption falling?' etc. The research is transparent, meaning that the purpose of the study and the name of the organisation that commissioned it are disclosed to the people answering the questions. Various techniques are used; including interviews and focus groups, which attempt to unearth people's deeply held personal opinions and judgements.

Quantitative research takes things one step further, and is often based on information derived from the qualitative research. It involves a larger-scale approach and the collection of statistical data. By the use of questionnaires and opinion polls, information from a sufficiently large sample can be used to identify and track matters such as market size, market share, and customer satisfaction. In other words, this type of research addresses the 'how many' questions, for instance, 'How many people use this product? How many people are potential consumers of this product?' and so forth.

In November 2005, McDonald's Australia undertook a major research project called 'Project Discovery'. The project made use of both qualitative and quantitative research techniques. The qualitative research involved two-hour, one-on-one interviews with 35 people; while the quantitative research involved telephone interviews with 2,602 people throughout the nation. The results showed some pleasing consumer perceptions, but also revealed areas



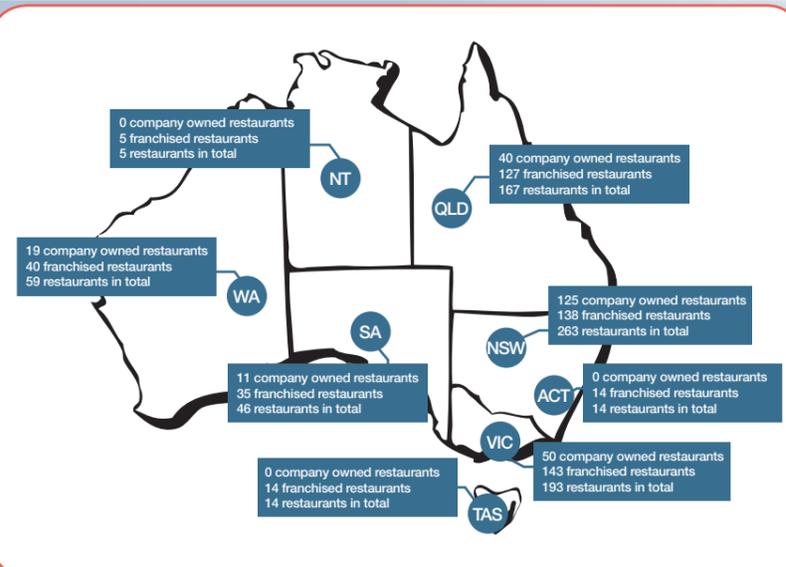
convenience of takeaway and fast foods on a regular basis. However, change is pushing the foodservice world in different directions. Advances in healthcare and preventative medicine have stressed the importance of a healthy diet. Increased access to mass communications, such as television and the Internet, has meant that consumers are becoming savvier about health issues, and are demanding better choices in convenience foods.

As the business environment changes, so too do the views of **stakeholders**. Stakeholders are those groups or individuals who are affected by the activities of a business. McDonald's Australia stakeholders are diverse, and include:

name, products, and display methods. Franchisees receive company support and benefit from the established **goodwill** of the franchisor.

2 Meeting stakeholder needs in a changing business environment

The business environment is not static. It evolves with time, reflecting changes in the broader social environment. Our lifestyles are very different to those of our grandparents and even our parents, partly because technological advances have transformed the workplace and the family home. The pace of life is increasing, and many families turn to the



1 Introduction

Health and fitness have become increasingly important issues in the twenty-first century. With concerns about rising obesity levels and a greater understanding of the importance of good nutrition, consumers have been demanding healthier food options. This is perhaps most apparent in the quick service restaurant industry, which has had to undergo something of a revolution in recent years. The choice for the industry was clear: respond to changing consumer needs, or suffer the consequences.

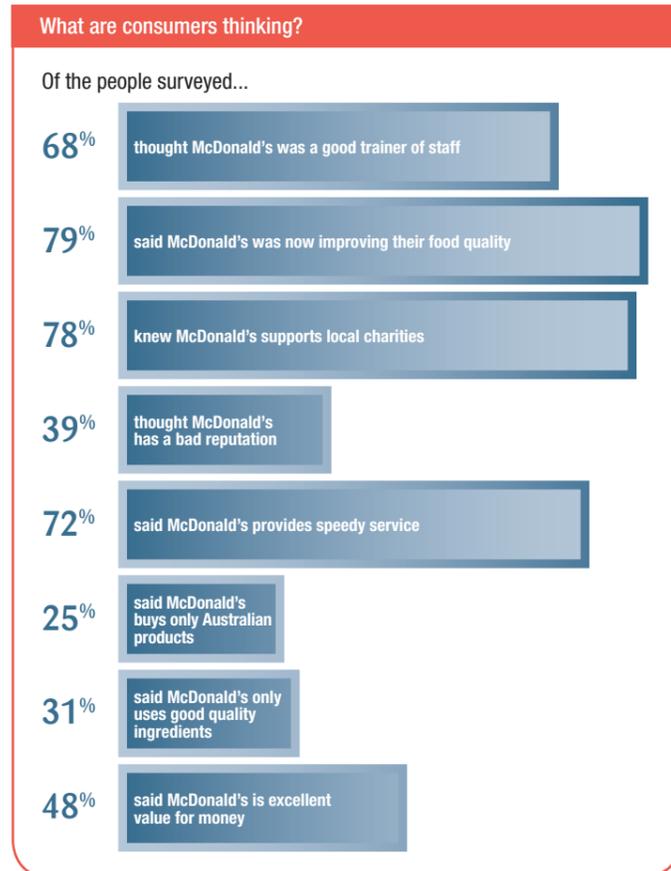
With 761 stores in Australia and 1.2 million customers visiting these stores daily, McDonald's Australia was in a very good position to undertake the necessary **market research** required to start making the appropriate changes and thus lead the revolution.

This ability to move with the times is what made the business successful to begin with. The first McDonald's restaurant opened in 1955 in the United States, and in 1971, Sydney's western suburbs became the home of the first Australian McDonald's. A **customer focus** on family-friendly affordable meals ensured rapid expansion. Around two thirds of Australian McDonald's restaurants are run by franchisees: see the diagram below. A **franchise** is a system of selling goods or services, in which a business that already has a successful product (the franchisor) enters into a continuing relationship with other businesses (the franchisees), permitting them to sell their products. The franchisee pays for the right to use the franchisor's



that needed attention, particularly in the area of health. The following graph summarises the results obtained.

To supplement this major research project, McDonald's Australia conducts regular tracking studies every quarter that measure the customers' point of view. Customers are asked questions regarding food image, **brand** image, quality, service, cleanliness and value.



By keeping the questions consistent, changes in customer attitudes can be measured and tracked over time. In addition, the customer service line provides much needed feedback. Its purpose is to answer questions from the public by telephone, and to receive complaints and comments. In 2005, the customer service department received 37,733 contacts from the public: a valuable source of information.

The end result of all this research is that consumers told McDonald's Australia what they wanted. They wanted more choice, with healthier and lighter food options. They wanted increased visibility in food labelling and more information about what they were eating: how much fat, how much sugar, and how much salt.

4 Creating the changes

In order to create the changes, it was first necessary to identify exactly what those changes should be. In 2002, Guy Russo, who was then McDonald's CEO, started attending obesity summits and participating in obesity forums. He met with key organisations, including the Obesity Taskforce. In the following year, McDonald's Australia formed a relationship with The Food Group Australia, a group of accredited dieticians, who provide McDonald's Australia with ongoing advice on nutrition.

Once expert advice was obtained, it was then a matter of translating these lessons and the research findings into concrete menu changes. McDonald's

Australia took a two-fold approach – improving existing products, and creating new ones. Existing products were improved by methods that include:

- Switching to a canola and sunflower oil blend, which is low in saturated fat and trans fatty acids
- Reducing the amount of sugar in buns to five per cent, which is similar to the amount of sugar found in bread rolls in the supermarket
- Reducing the amount of salt
- Creating smaller serve sizes for muffins.

New products include:

- The Salad Plus range, with items containing less than 10 grams of fat
- The Deli Choices range, again with items containing less than 10 grams of fat
- The option of multi-grain rolls in the Deli Choice range
- The Pasta Zoo Happy Meal, which contains pasta shapes with no artificial colours or flavours, 'zoo goo' or a tomato dipping sauce, and a serve of fat-reduced milk with a flavouring straw
- New Happy Meal Choices, which include fruit bags, apple juice and water.

McDonald's Australia was the first quick service restaurant chain to earn the Heart Foundation tick for some of its meals. This makes it easier for customers to select the healthier meal options. Making healthier choices has also been made easier by extensive nutritional labelling, both in-store and on the company website. New packaging includes percentage daily intake information, so customers can see how their food choices relate to their overall daily requirements.

Despite the changes, the new menu options are still in keeping with McDonald's Australia's brand. Importantly, the packaging, presentation and service are all recognisably McDonald's, a brand that already enjoys widespread recognition and success.

5 Communicating with the consumer

Making the changes is crucial, but it is equally important to communicate these to the consumer. McDonald's Australia developed an advertising campaign that had the key goal of communicating their new healthier food options, countering misconceptions within the community.

McDonald's Australia has made use of various advertising media: print, billboards, radio, television and the Internet. Each media type targets its audience carefully. For instance, different groups of people listen to the radio at different times of the day. Advertising during the morning rush hour is aimed



at people who listen to the radio as they drive to work. It is no surprise that the focus of these commercials is breakfast menus and McCafe coffee. During the day, the radio is more likely to be listened to by the elderly and young stay-at-home parents, whose priorities will differ. Mothers are typically concerned with healthier food options for their children, including the new Happy Meal Choices. McDonald's Australia has a reputation as a responsible advertiser, and supports the strict advertising codes that exist for the quick service food industry. It has reduced advertising during children's television programs by sixty per cent in recent years.



The McDonald's Australia websites are designed to be appealing to teenagers. They are both interactive and informative, and make use of latest design and technology. The 'make up your own mind' website at www.makeupyourownmind.com.au invites the customer into the virtual store, to see what goes on inside McDonald's Australia to make up their own mind. By having the capacity to include significant amounts of information, the websites are a key part of McDonald's Australia's commitment to transparency in their advertising and operations. As well as advertising products, the websites fulfil another purpose: staff recruitment. Both the 'make up your own mind' site and the parent site www.mcdonalds.com.au contain career information – McDonald's recruitment is not limited and can include parents wanting to re-enter the workforce or students working their way through school or university.

6 Conclusion

The quick service restaurant industry, led by McDonald's Australia, has come a long way towards addressing changing food values. But the story does not end there. McDonald's Australia is also making significant changes in other areas of its operations: customer service, quality and speed, and its physical impact on the environment. McDonald's Australia is committed to the use of sustainable business practices, and this will be one of the key areas of focus in the days ahead.

CEO Peter Bush summarised McDonald's Australia's attitude when he said, 'While I am proud of the changes that we have made I believe we still have more to do, which is all part of this exciting journey we are on'.

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GLOSSARY

Brand The trading name of a product that has a high level of recognition in the market place. Successful development of the brand and 'brand mark' (identifying symbols and design) is a considerable marketing tool.

Business plan A written document detailing the overall plan for the business in terms of marketing, operations and finance.

Corporate citizenship The obligation or responsibility an organisation has to a specific group such as the local community, employees and the like and/or to a wider cause or issue such as the environment.

Customer focus An approach or attitude which emphasises and values the needs and wants of customers.

Franchise A franchise is a business relationship between a franchisor (someone who owns the business) and a franchisee (an independent person who pays a fee to use their established business name, expertise and knowledge). Goods or services are standard across a franchised business.

Goodwill An intangible asset based on the reputation and past financial viability of a business.

Market research Finding out information about the characteristics of potential customers to solve marketing problems and help with marketing decisions.

Qualitative research Rigorous research with explicit sampling strategies, systematic analysis of data, and a commitment to examining counter explanations. Ideally, methods should be transparent, allowing the reader to assess the validity and the extent to which results might be applicable to their practice.

Quantitative research A market research technique that attempts to obtain measurable findings from a sample of consumers. The research focuses on measuring and counting facts and the relationships among variables, and seeks to describe observations through statistical analysis of data. It includes experimental and non-experimental research (research that attempts to describe the characteristics of a sample or population).

Social responsibility Where a business undertakes activities that are seen to not just have benefit for that business (such as adding to shareholder value) but have measurable benefit (or limited negative outcomes) for the broader society.

Stakeholders A person or group who has an interest in how a business operates or functions. Examples include management, owners, employees, customers, shareholders, the local community and government.

Sustainable The ability of a business/producer to operate successfully over a long period of time. This ability is dependent on the businesses not exhausting the resources (people, natural, physical) used to conduct their operations.

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