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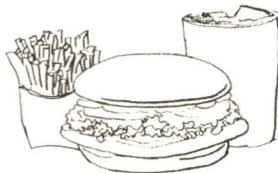
Fast Food Gets Leaner and Greener

Things change. That's the one constant of American life . . .

July 1971

Sitting around with your friends on a summer night, all of you are looking for an answer to the same old question: "What do you wanna do?"

Half hour later, you end up where you always end up - the local fast food restaurant. And you order what you always order - a cheeseburger, french fries, and a vanilla shake. Who cares that it's almost 11 o'clock at night?



July 1981

Ten years later . . . married with children. Although you no longer gorge yourself on late night burgers, you're still a regular at the fast food restaurant. Your kids love the place, and it's easy to see why. Nobody gets upset if they spill their drinks or drop food on the floor. What's more, they actually eat the food.

Of course you wish they would eat a vegetable other than french fries, and sometimes you feel guilty about not cooking. But you keep going back because it's so convenient. Everything - the furniture, the playland, the casual atmosphere, the packaging, even the food - says, "You and your children are welcome here."

July 1991

In some ways, life seems much more complicated than it did 20 years ago. The list of "do's" and "don'ts" grows longer every day. Eat right! Stay fit! Watch your cholesterol! Cut down on salt, sugar, and caffeine! And that's not the worst of it.

While one group of experts is doing its utmost to ruin your enjoyment of all your favorite foods, another group disturbs your peace of mind with dire warnings about ozone depletion, global warming, and the solid waste disposal crisis. Nowadays you can't even go out for a hamburger without feeling guilty.

WHEN IT COMES TO IDENTIFYING TRENDS AND ADAPTING TO CHANGING CUSTOMER PREFERENCES, FEW BUSINESSES CAN MATCH FAST FOOD COMPANIES. THE FOLLOWING ARTICLE LOOKS AT HOW THE FAST FOOD INDUSTRY HAS COPEd WITH CHANGE AND COME TO GRIPS WITH TWO MAJOR CONCERNS OF THE EARLY 1990s: NUTRITION AND THE ENVIRONMENT.

Fast food restaurants don't have a lot of snob appeal. Executives don't try to impress their clients by ordering burgers and fries at the drive-thru window. Returning vacationers don't gush over the "positively charming little fast food place" they "discovered" on their trip to Europe. Even people who dine regularly on fast food seem reluctant to admit a fondness for it.

Nevertheless, fast food chains have been wildly successful. The names of the biggest chains - McDonald's, Burger King, Wendy's, and Kentucky Fried Chicken (KFC) - are known far and wide.

According to a McDonald's fact sheet ("Fun McFacts"), Ronald McDonald, the

company's corporate symbol/mascot, is the second most widely recognized character by children (ages 4-7) - second only to Santa Claus. The same sheet claims that 96 percent of the U.S. adult population (ages 16-65) has visited a McDonald's at least once, and 8 percent visit McDonald's on an average day.

In trying to explain why fast food restaurants attract so many customers it's tempting to focus on advertising and marketing. Fast food companies have spent millions on national advertising campaigns. Their songs and slogans are inescapable.

Indeed, fast food advertising may have helped decide the Democratic presidential nomination in 1984 when "traditional" Democrat Walter Mondale faced a serious challenge from "New Age" Democrat Gary Hart. Hart's ideas were widely considered innovative but somewhat lacking in substance. During a nationally televised debate, Mondale exploited that perception by jabbing

Hart with the punchline from a Wendy's commercial - "Where's the beef?" Hart's campaign never recovered.

There's no denying that fast food ads are effective. But advertising alone doesn't explain why fast food chains have enjoyed such tremendous success.

Expensive, well-produced television commercials can certainly attract customers to a fast food restaurant. (Given the choice between a heavily-promoted chain outlet and a "no-name" independent restaurant, people often choose the more "familiar" chain outlet.) But even the best commercial can't make customers return to a restaurant they don't like.

By and large, fast food restaurants succeed because they keep their customers happy. The major chains spend considerable time, energy, and money trying to discern what their customers want. They also demonstrate an amazing knack for adapting to changing customer preferences.

McDonald's, the industry giant, stresses the formula "QSC and V," which stands for "Quality food, good Service, Cleanliness, and good Value." The company's top executives say things like, "We're never satisfied. We're always striving to be better at what we do." And they mean it.

Cutting the Fat

Since the late 1980s, two concerns seem to have topped the fast food industry's agenda: Fat and Plastic. Increasingly, Americans have expressed a desire for lighter, "healthier" food, which often translates into eating foods that are lower in fat and cholesterol. At the same time, we also seem to be expressing a desire for a "healthier" planet - a cleaner environment. Both concerns are part of a larger overall trend often referred to as the "Green Revolution."

Some people say the "Green Revolution" began in 1970 on the first Earth Day. Others go back even further to the 1962 publication of Rachel Carson's *The Silent Spring*, a book that led to the eventual ban of the pesticide DDT. But regardless of when it began, one thing is certain: Health, safety, and the environment have gone from being peripheral issues to mainstream concerns in a relatively short period of time. Businesses that once emphasized style, convenience, and price have begun to take the Green Revolution seriously as Americans have demonstrated a greater willingness to spend their dollars on "healthier" foods and environmentally "friendly" products.

For a time it looked as though fast food companies were waiting to see if the Green Revolution was just a passing fad. They took a few tentative steps toward a "leaner" menu and a greener environment, but they seemed hesitant to make any drastic changes.

And who can blame them? Their tried-and-true way of doing business had worked just fine. McDonald's had gone from one restaurant in 1955 to more than 11,000 outlets worldwide in 1989. Relative latecomer Wendy's opened its first restaurant in 1969 and operated nearly 3,800 by 1990. When business is that good, why change?

Besides, the fast food chains hadn't been exactly hidebound. McDonald's had begun to move beyond burgers when it introduced the Egg McMuffin breakfast sandwich in 1973 and a full breakfast line in 1977. And when Americans began cutting back on beef consumption McDonald's, Burger King, and Wendy's added chicken and salads to their menus. Wendy's even began offering chili and "hot-stuffed" baked potatoes.

In 1986 growing concern over fat and cholesterol prompted McDonald's to begin cooking its Chicken McNuggets, Fillet-O-Fish, and hot pies in 100 percent vegetable shortening. Other companies took similar steps.

But when it came to tampering with the taste of french fries, the chains balked. French fries have long been a fast food favorite because of their taste and texture. Until recently, most people never gave a second thought to the fact that their favorite fries were cooked in a high-cholesterol mixture of oil and beef tallow. The fries tasted good, and that was all that mattered - until consumer groups and nutrition activists began a high profile campaign to eliminate beef tallow.

At first the companies tried to ignore the campaign, not because they had any particular attachment to beef tallow, but because they were afraid their customers might not be as fond of french fries cooked in vegetable oil. But in 1990, McDonald's and Wendy's both announced plans to phase out beef tallow. In a comment that typifies the fast food industry's longstanding concern with adapting to changing customer preferences, Wendy's said the switch to vegetable oil "further demonstrates Wendy's commitment to offering a wide variety of healthy food choices to its customers."

Fast food companies have also responded to their customers' hunger for nutrition information. McDonald's, Burger King, and Wendy's now prominently display booklets and flyers that offer detailed information on such things as grams of fat, milligrams of cholesterol, and calories per serving for virtually every item on the menu. Based on the information, customers can choose foods that best fit their dietary needs. Waist-line watchers can even check how many calories are in the innocent-looking little package of salad dressing.

At the same time, fast food companies are continuing to offer their health-conscious customers a wider range of choices such as frozen yogurt, low-fat milkshakes, and apple bran muffins. Burger King, the nation's second largest hamburger chain, went so far as to pair up with Weight Watchers International for a one-restaurant test partnership in Florida. The match-up proved so successful that Burger King outlets in several states are now supplementing their traditional fare with a Weight Watchers menu that includes lasagna, fettuccine with broccoli, and other offerings such as Weight Watchers brownies and popcorn. "You want to have something for everyone," a Burger King

spokesperson told *The Wall Street Journal*.

One of the most closely watched fast food innovations in recent memory is the McLean Deluxe, a 91 percent fat-free hamburger introduced by McDonald's in the Spring of 1991. The McLean Deluxe, which McDonald's is promoting as "91% Fat Free, 100% Delicious," has less than half the fat of McDonald's standard burgers, and, according to a McDonald's senior executive, the new burger is "tangible evidence of our accelerated new product activity designed to ensure that our menu is responsive to customers' expectations for variety, taste, and nutrition."

Since its debut the McLean Deluxe has taken a few potshots because it contains carrageenan, a seaweed extract that prevents the low-fat burger from being too dry by binding water to the beef. One competitor was quoted as saying, "We're not going to sell a water-and-seaweed burger."

But for the most part, McLean Deluxe has won high praise from nutritionists and nutrition activists who formerly had been critical of McDonald's and other food companies for not moving quickly enough to reduce fat and cholesterol. Among the sharpest critics had been Philip Sokolof, an Omaha businessman who had spent more than \$3 million of his own money in an effort to persuade food processors and fast food chains to cut back on the saturated fats in their products.

Beginning in 1988, Sokolof ran full-page ads in newspapers across the country aimed at food processors who used coconut oil and other tropical oils high in saturated fat. One ad depicted several of America's best known foods. Another targeted Nabisco, the nation's number one food processor. The tactic proved successful, and Mr. Sokolof won a commitment from Nabisco that the company would reformulate its products. Other food processors soon followed suit.

By 1990, Sokolof was after fast food chains to cook their french fries in all-vegetable oil and to reduce the fat content of their hamburgers. His full-page ads singled-out McDonald's, probably because it's the industry giant. One ad carried the headline McDONALD'S, YOUR HAMBURGERS HAVE TOO MUCH FAT!. McDonald's responded by having its lawyer, former Health, Education, and Welfare Secretary Joseph Califano, issue a warning that further publication of such ads could lead to legal action. Despite the warn-

ing, most newspapers ran Mr. Sokolof's next round of ads, which carried the headline, McDONALD'S, YOUR HAMBURGERS STILL HAVE TOO MUCH FAT!.

Needless to say, McDonald's was not pleased. But it didn't sue, and when it introduced the McLean Deluxe, Mr. Sokolof was among the first to praise the company. He also began working on ads urging Burger King and Wendy's to follow McDonald's lead.

Turning Green

Along with moving to a "lighter" menu, fast food companies have also taken steps that could lead to a cleaner environment. No doubt they've recognized that the environment is running neck-and-neck with nutrition as a cause for concern in the early 1990s.

Yet even fast food companies, which have always been adept at reading trends, have had difficulty keeping pace with their customers' desire for "environmentally friendly" products and services. Only five or ten years ago it was considered enlightened for fast food restaurants to conduct neighborhood litter patrols. Today the public expects much more, and fast food companies are coming under heavy pressure to address a broad range of environmental concerns.

Not that public pressure and criticism are anything new to fast food companies. Even back in the days of 15¢ hamburgers, critics were denouncing the industry as the epitome of American excess – an embodiment of the "throwaway society." But fast food executives paid little heed because very few of the critics were customers. Besides, being a symbol of the "throwaway society" wasn't necessarily a bad thing in those days. Plastic forks and spoons were widely thought to be an improvement over poorly washed metal utensils that still bore traces of the eggs someone else had eaten for breakfast. Plastic sandwich containers provided assurances that hamburgers hadn't served as a landing strip for flies, and individual condiment packages seemed more hygienic and more appealing than ketchup-encrusted bottles and coffee-soaked sugar bowls. Packaging seemed to be what the customers wanted. Packaging sold.

But times have changed. Nowadays the phrase "throwaway society" is fraught with negative connotations. More and more Americans are expressing concern that gases emitted in the manufac-

ture of plastic containers could be damaging the ozone layer or contributing to global warming by exacerbating the "greenhouse effect." And in an age when trash landfills are overflowing and new disposal facilities are difficult to site, citizens are demanding recycling programs and calling for an end to "wasteful" packaging. In short, the environment has become a mainstream issue, and fast food companies have begun to take notice.

Initially, they responded with a halting, piecemeal approach that was largely ineffective. McDonald's, for example, participated in a plastics recycling program sponsored by the manufacturers of polystyrene. The program, which depended on customers voluntarily depositing their trash in separate recycling bins, never gained momentum – perhaps because sorting trash seemed so contradictory to the expectation that fast food restaurants ought to be convenient, uncomplicated places to eat. In any case, the polystyrene recycling program didn't last long.

Next came McDonald's decision to phase out the plastic foam meal containers known as "clamshell" containers. Concerns had been raised about foam packaging because it is nonbiodegradable and because potentially harmful byproducts are emitted during its manufacture. The clamshell container provided a focus for those concerns because it looked like such an extravagant, wasteful way to package something as mundane as a hamburger. But in the absence of an acceptable substitute, fast food companies were reluctant to discontinue its use. McDonald's only agreed to phase out clamshell containers after test marketing indicated that a new paper-based sandwich wrap did an even better job of keeping food warm and moist.

The decision to switch from plastic foam containers to paper-based sandwich wrap was a dramatic and highly visible step that won considerable praise for McDonald's. It also reaffirmed the notion that successful fast food companies are adept at responding to changing customer preferences. "Although some scientific studies indicate that foam packaging is environmentally sound," said the president of McDonald's USA, "our customers just don't feel good about it. So we're changing."

But the switch from foam clamshell containers to paper-based sandwich wrap still wasn't part of an overall program to address environmental concerns. That was soon to follow.

Less than six months after the decision to phase out foam packaging, McDonald's and the Environmental Defense Fund (EDF) jointly introduced a series of sweeping environmental initiatives. A few of the measures in the 42-point program, such as the use of pump-style bulk dispensers for condiments, had once been common practice in the food services industry. But many other aspects of the agreement were entirely new, including a nationwide program for recycling corrugated boxes and a pilot program for testing a starch-based material that could lead to the phase out of plastic utensils.

Not surprisingly, other fast food companies have also taken steps to address their customers' environmental concerns. Wendy's reduced the trash it generates by 1.5 million pounds per year simply by packaging its Kids' Meals in biodegradable bags rather than cardboard boxes. Burger King announced that it would not buy beef raised on former rainforest land. It also replaced cardboard sandwich boxes with bags made from recycled paper and phased out plastic foam coffee cups in favor of the cardboard variety.

But thus far, McDonald's compact with the Environmental Defense Fund is easily the most comprehensive plan in the fast food industry. It affects the company's 600 suppliers and the 18 million customers who visit McDonald's 8,500 U.S. restaurants every day.

Needless to say, entering into an agreement with the EDF garnered quite a bit of favorable publicity for McDonald's, but taking the first steps toward cooperation also involved a certain amount of risk for both organizations. Failure to reach an agreement could have cast McDonald's in a bad light with its growing number of environmentally-conscious customers, and a purely cosmetic agreement would have left the EDF wide open to charges of "selling out to big business."

Obviously, both parties thought there was a fair chance of success, and both believed that the benefits of reaching an agreement outweighed the risk of failure. Moreover, McDonald's seemed to realize that changing attitudes toward the environment and growing pressure from environmental groups were making it increasingly difficult to maintain the status quo.

Of course, some might argue that the fast food industry should have changed

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New England Update

Bentley College Hosts Free Seminars on International Economics for Secondary School Teachers

For the third straight year Bentley College and the Massachusetts Global Education Program are co-hosting a series of international economics conferences for secondary school teachers. This year's inaugural session, *Oil, the Middle East, and the Global Economy: An Update*, drew more than thirty New England teachers to the Bentley College Center for International Business Education in Waltham, Massachusetts.

Dr. Jerome Bookin-Weiner, director of International Programs at Bentley, opened the program with a background briefing on Islam and the Middle East. Noting that an understanding of Islam is essential to an understanding of events in the Middle East, he reviewed the "Five Pillars" of Islam and discussed the origins of the split between Sunni Muslims and Shiite Muslims.

On the economic front, he pointed out that predictions of an economic bonanza (\$100 billion over ten years) for American companies involved in the

rebuilding of Kuwait have proven to be overblown. Kuwait, said Bookin-Weiner, won't be helping the U.S. work its way out of recession.

Another highlight of the conference was a presentation by Maureen Tisei, Steven Seto, and Stephanie Mulica, who jointly teach a course on the Middle East at Boston's Snowden International High School. The course is called *The Middle East: Perceptions and Propaganda*, and two of its goals are to help students gain a well-rounded understanding of the Middle East and to dispel preconceived negative stereotypes.

In the coming months, Bentley's Center for International Business Education will be hosting daylong programs for secondary school teachers on the North American free trade area and economic issues in southern Africa. For more information on the programs, write to: **Project Officer, Office of International Programs, Bentley College, Waltham, Massachusetts 02154.**

New Publication on Avoiding Home Mortgage Scams



Many people borrow against their homes to pay for repairs or renovation. But they may be taking unnecessary risks when they arrange financing for their home improvement projects.

As part of its overall effort to help consumers recognize and protect themselves against home improvement credit scams, the Federal Reserve Bank of Boston recently issued a new brochure called *Home Improvement Credit: Avoiding Second Mortgage Scams*. For free copies, write to: **Publications, Public Services Department, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076; or telephone (617) 973-3459.**

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its ways long ago – without public pressure. But perhaps that's asking too much. Ten or fifteen years ago customers might not have been receptive to a low-fat hamburger that contains carrageenan, and a comprehensive environmental initiative might have drawn little more than a collective yawn from the American public. There's also the larger question of whether or not it's in anyone's best interest for business to set the agenda on such issues as nutrition and the environment. (But that's another story.)

When all is said and done, maybe what matters most is that major American fast food companies are responding to their customers and moving in a direction that promises to benefit the environment, the public, and the fast food industry. The fact that they may have been prompted by public pressure doesn't diminish the quality of their response.

Fed Hosts Forum on Avoiding Home Mortgage Scams



Massachusetts attorney general Scott Harshbarger

photo by Ralph Ragsdale

More than 80 community service professionals attended an October workshop at the Federal Reserve Bank of Boston on *Avoiding Home Improvement Credit Scams*. Boston Reserve Bank president Richard Syron delivered the opening remarks. Massachusetts attorney general Scott Harshbarger and the Rev. Charles Stith, national president of Organization for a New Equality, were the featured speakers. During the workshop, Federal Reserve attorneys conducted sessions on Advertising and Telemarketing Fraud, the Fair Credit Reporting Act, and Basic Contract Law for Nonlawyers, and Bank officials introduced a new publication, *Home Improvement Credit: Avoiding Second Mortgage Scams*. (See **New England Update** for details on ordering free copies.)