

SUSTAINABILITY COMMITTEE RETAIL CASE STUDY



McDonald's Australia

McDonald's Australia's has a strong commitment to "reducing the environmental footprint of their restaurants, sourcing produce and other materials in a responsible manner and supporting local communities" (McDonalds, 2008). The restaurant is constantly searching for opportunities and implementing improved business practices in order to improve its environmental performance. As part of McDonald's philosophy of becoming a future environmental leader, the company has set the following strategic objectives:

- To make the environment a consideration in everything they do;
- Provide environmental leadership for restaurants, suppliers and customers and encourage them to be pro-active;
- Ensure that McDonald's restaurants comply with all environmental laws and regulations;
- Educate and improve the awareness of McDonald employees, franchisees and customers and work with our suppliers to obtain their commitment, cooperation and feedback;
- Ensure that all staff are aware of their responsibilities and accountable for their actions/inaction; and
- Measure performance and through implementation and review of the programs, actions and procedures, improve it.

McDonald's has identified the need for a new cohesive environmental strategy to direct their actions from now until 2020, and is currently having discussions with sustainability experts as well as seeking advice from dieticians to improve its menu (McDonald's, 2008). McDonald's is also constantly monitoring the environmental impacts of their operations and searching for improvements and applying these practices in effort to reduce its impact on water, land and air. Following is McDonald's restaurants' comparative water usage over the last three years within the Sydney Water catchment area:

- 2005 -234,081 kL
- 2006 - 224,208 kL
- 2007-219,566kL

Between 2006-2007, water usage was reduced by 2.1 percent, which can be attributed to a number of factors McDonald's has implemented such as water efficient tapware and sanitaryware, the installation of rainwater tanks, and a sustainable landscape design encompassing a variety of native species.

In attempt to reduce electricity consumption and increase renewable energy, McDonalds is also updating its restaurants with more efficient fittings and equipment. In 2006, however, energy use was 442,083,471 kwh which increased to 454,151,475 kwh in 2007. The key contributor here was growth in the number of McCafe' sites, the Made to Order kitchen platform, 24 hour trading and a recent, significant increase in customers (McDonalds, 2008). McDonalds has also begun installing



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electrically operated heat exchange hot water systems which also assists large energy user systems such as air conditioning. These systems are standard equipment for all new restaurants.

McDonald's is also a signatory to the National Packaging Covenant with a national recycling target of 65 percent by 2010 (NPS, 2008). Cardboard constitutes approximately 30 percent of the average restaurant's total waste and, as such, this recycling activity diverts a significant amount of waste from landfill. Used cooking oil represents 10 percent of a restaurant's total waste, and is also recycled via local collectors at regional refineries into animal feedstuffs, biodiesel and technical lubricants, Total waste generated is slowly decreasing, with approximately 20,816 tonnes in 2007 - down from 23, 92 tonnes in 2006 (McDonalds, 2008).

In line with increased recycling, McDonald's is providing its customers with minimal packaging per product. The company has undertaken significant research and testing to reduce the amount of material used in each item of packaging (McDonald's, 2008). With tighter, thinner packaging, there is less raw materials and therefore less solid waste. In 2007, the company significantly increased the recycled content of its sundae cups to at least 35 percent and replaced its foam coffee cups with cardboard. Overall, consumer packaging in 2007 was produced from 30.9 percent of recycled material, which is a rapid increase from 2005, with only 9.49 percent packaging made from recycled material. In the UK, McDonald's is constantly attempting to change its packaging, achieving reductions averaging £8.5 million per year (UK McDonalds, 2008).

McDonald's also announced that from 2009, all its coffee will be made from beans grown in environmentally-friendly conditions. As part of this effort, McCafe' sites have switched to coffee brought from South American plantations with the highest environmental standards. By 2009, all McDonald's coffee will carry the green frog label of the New York-based environmental organisation, Rainforest Alliance (Lee, 2008). This move by McDonald's will likely put pressure on other chains to stop sourcing coffee planted in land cleared of rainforests.

Overall, McDonald's customers are the most important stakeholder to the organisation. In recognition of this, a research study conducted in 2007 asked approximately 375 customers what the important issues are in relation to McDonalds and the environment. Following are the key environmental issues raised (McDonald's, 2008):

- Buying local produce and supplies (58 percent);
- Using recycled content in food packaging (35 percent);
- Using energy saving equipment (31 percent);
- Anti-litter campaign and support of Clean up Australia Day (29 percent);
- Generating energy from solar panels and wind turbines (26 percent);
- Serving seasonal produce to reduce energy of production (22 percent); and
- Recycling water for use in watering the gardens (18 percent).

* Excerpt from "Environmentally Friendly Retailing", The Australian Centre for Retail Studies, 2008.

