

Where's the Beef? A Case Study of Taco Bell

By Mahmood Khan and Maryam Khan

Introduction

Taco Bell® Corporation ("Taco Bell") is a subsidiary of Yum! Brands, Inc. and is one of the nation's leading Mexican-style quick service restaurant chain. It serves Mexican style foods such as tacos, burritos, quesadillas, nachos, and other specialty items. Taco Bell serves more than 36.8 million consumers each week in nearly 5,600 restaurants in the United States.

A lawsuit was filed by Amanda Obney in California, alleging that the chain owned by Yum! Brands falsely advertised as "beef" a taco filling that includes "extenders" and other non-meat substances. The lawsuit filed on January 19, 2011 alleged that Taco Bell misrepresented "taco meat filling" as beef in its products, citing a U.S. Department of Agriculture (USDA) definition. The suit was filed on behalf of Amanda Obney by the Alabama law firm Beasley Allen, together with the California firm Blood, Hurst & O'Reardon essentially asking, "Where is the beef?" (Walsh, 2011).

The Lawsuit

Some of the excerpts from the lawsuit as posted online are shown below (Davis, 2011). Stated under the "nature of the action" the first point states "this is a consumer rights class action challenging Taco Bell's practice of representing to consumers that the filling in many of its "beef" food items is "seasoned ground beef" or "seasoned beef," when in fact a substantial amount of the filling contains substances other than beef. Rather than beef, these food items are actually made with a substance known as "taco meat filling." Taco meat filling mostly consists of "extenders" and other non-meat substances. Taco meat filling is not beef. In fact, it does not meet the minimum standards set by the United States Department of Agriculture ("USDA") to be labeled or advertised as "beef," seasoned or otherwise. This action seeks to require Taco Bell to properly advertise and label these food items and to engage in a corrective advertising campaign to educate the public about the true content of its food Products (defined below)."

Point 5. Under the heading "parties" it states, "Plaintiff is a resident of California. During the relevant time period plaintiff was exposed in California to defendant's advertising and labeling claims that the subject "beef" food items were filled with "seasoned ground beef" or "seasoned beef." Based on these representations, as well as the reasonable belief that defendant would accurately and honestly describe its

products, plaintiff believed the taco meat filling was seasoned beef and, in reliance thereon, purchased the food items, thereby suffering injury in fact and losing money as a result of the alleged conduct. Plaintiff wanted to purchase beef-filled food items from Taco Bell, but did not receive what she believed she was purchasing."

Point 10. Under the heading "defendant's conduct" states, "Taco Bell also misrepresents certain of the products ingredients as "seasonings." However, these ingredients are not added for flavor, but rather to increase the volume of the product. These ingredients are binders and extenders such as "isolated oat product."

Point 11. Under the heading "defendant's conduct" states, "Taco Bell uniformly misrepresents on its package labels, brochures, website, menus, and in its television commercials that the "beef" products contain "seasoned ground beef," rather than "taco meat filling."

The legal suit document contains pictures of menu items served by Taco Bell taken from its website. The class action allegations under Point 20, states "Plaintiff brings this lawsuit on behalf of herself and the proposed Class members under Federal Rules of Civil Procedure Rule 23(a) and (b)(2). The proposed Class consists of: All persons in the United States who purchased any food product from Taco Bell that was advertised or labeled as containing "beef," "seasoned ground beef" or "seasoned beef." The picture of a container label with the title "Taco Meat Filling" was also attached with the legal document mentioning that internally Taco Bell refers to its "seasoned ground beef" and "seasoned beef" as "taco meat filling," even labeling the containers shipped to its restaurants correctly, while not telling its customers.

In summary this Class Action lawsuit alleges that (a) what Taco Bell calls "beef" does not meet the minimum requirements set by the USDA to be called "beef" or "seasoned ground beef." Rather than beef these, items are actually made with a substance known as "taco meat filling;" (b) misrepresenting standard, quality, or grade of products sold to consumers; and (c) misrepresentations in different advertisements. One analyst even predicted that if the class action claims were proved to be true, it could be seen as an ingenious attempt to hold the line on overall meat price rises (Jakab, 2011). The lawsuit, which sought class-action status, wanted a judgment against Taco Bell which would stop it from referring to the product filling as ground beef, force it to undertake corrective advertising campaign, and possibly pay plaintiff's attorney fees and any other fees the courts may deem proper. The suit was somewhat unusual in that it did not seek for any monetary damages, although it seeks legal fees (Anonymous, 2011). The controversy exposed a conundrum for consumers since in spite of extensive regu-

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lations governing certain areas of food processing; there are scant data available to the public as to what really goes into some of their favorite restaurant meals (Bialik, 2011). According to another viewpoint there was a more pressing question the suit does not address which is “what is in our fast food?” (Walsh, 2011).

Taco Bell's Dilemma

Taco Bell was faced with preserving product confidentiality, brand image, consumer confidence, franchisee confidence, as well as maintaining competitive advantage. The dilemma involved revealing as much information as needed without jeopardizing the confidential ingredient information. Consumer confidence had to be maintained without giving an impression that they were not getting what they pay for. This being a Class action suit it involved numerous individuals and it was important to defend the case in a transparent fashion. Taco Bell had three options (1) to deal with legal aspects through attorneys without involving consumers; (2) to settle the case swiftly with the plaintiff in order to minimize damage; or (3) defend the case using consumer confidence. In any case swift action had to be taken with a sound marketing strategy.

What is the Definition of "Ground Beef?"

According to the USDA's Food Safety and Inspection service beef fat may be added to “hamburger,” but not “ground beef.” A maximum of 30% fat is allowed in either hamburger or ground beef. Both hamburger and ground beef can have seasonings, but no water, phosphates, extenders, or binders added. The labeling of meat food products must comply with the Federal Meat Inspection Act (FMIA) and the meat inspection regulations and labeling policies. Generally, ground beef is made from the less tender and less popular cuts of beef. Trimmings from more tender cuts may also be used. Grinding tenderizes the meat and the fat reduces its dryness and improves flavor. Taco filling must contain at least 40 percent fresh meat. The label must show true product name, e.g. Taco Filling with Meat, Beef Taco Filling, or Taco Meat Filling. (USDA, 2011).

Taco Bell's Action

Taco Bell developed a two pronged marketing strategy which was directed towards responding to the litigation on one hand as well as assuring consumer confidence. Taco Bell responded swiftly with a spicy and potentially risky retort to the lawsuit with its rebuttals (Jargon et al., 2011). They used an unorthodox approach to the lawsuit by undertaking a nationwide print campaign defending the quality of its beef in popular newspapers including the Wall Street Journal, The New York Times, USA Today, The Boston Globe, The Chicago Tribune, The Los Angeles Times, The Orange County Register, The San Diego Tribune, and the San Francisco Chronicle. This list included most of the nation's major newspapers and thereby had the reach to large sections of the population. In addition to the print advertisements they had an

aggressive online campaign using latest available information technology via Twitter, Facebook, and YouTube (Beck, 2011).

In its retaliatory advertising, which included YouTube video by chain President Greg Creed, Taco Bell said it takes the matter “very seriously.” This approach was exceptional, timely, and used social media for its defense. Using online media proved to be the most effective means of relating their point of view directly to the consumers. By using social media they went directly into the midst of the consumer conversation. This innovative approach shows the importance of social media in customer relations management. Under traditional methods the damage would have been more serious with long drawn cases. According to one report (Kirby, 2011) when fast-food chains face lawsuits over the quality of their products, the standard tactic has been to lawyer up and shut up while the case was in courts, however Taco Bell has taken the battle first to the court of public opinion.

Taco Bell did not waste any time and took action before any serious damage to its reputation would occur. They effectively told their story reaching directly to the consumer. The company used media for its defense with full disclosure of its taco meat ingredients. In addition to using normal legal procedures Taco Bell disseminated information which was of help to consumers, their employees, and franchisees. It took out full-page advertisements in leading U.S. newspapers offering “the truth” about its seasoned beef. This campaign was intended not only as a defensive measure but was also an offence in full view of the consumers. In addition to print advertisements Taco Bell used television commercials, radio spots and other media featuring their employees and franchisees. They also considered legal action against the plaintiff for false statements (Nation's Restaurant News, 2011). The advertisement was signed by Mr. Greg Creed, President of Taco Bell.

Even the message used was very forceful and creative (Fig 1) starting with bold lettering “**Thank you for suing us.**” “**Here's the truth about our seasoned beef.**” The message conveyed had very important elements and is analyzed as follows:

The claims made against Taco Bell and our seasoned beef are absolutely false.

“Our beef is 100% USDA inspected, just like the quality beef you buy in a supermarket and prepare in your home. It is then slow-cooked and simmered in our unique recipe of seasonings, spices, water, and other ingredients to provide Taco Bell's signature taste and texture.”

This section was clearly directed to gain consumer confidence by stating and adding the “real beef” logo that (a) the beef used is 100% USDA inspected; (b) the beef is similar to what consumers eat at home; and (c) the process and recipe used were unique with ingredients that provided their signature taste and texture. The statement also refuted the claim made in the lawsuit.

Plain ground beef tastes boring.

“The only reason we add anything to our beef is to give the

meat flavor and quality. Otherwise we'd end up with nothing more than the bland flavor of ground beef, and that doesn't make for great-tasting tacos."

This statement defended the addition of other ingredients there by stressing that the action enhanced the flavor and quality of their products. It also refuted the allegation that they were using "extenders" for increasing the volume of their products. They also utilized the opportunity to highlight their "great-tasting tacos."

So here are the REAL percentages.

"88% Beef and 12% Secret Recipe."

This stand-alone declaration strongly refuted the claims made in the allegation. It emphasizes the point that the beef content is way above the requirements for labeling and that the secret recipe constitutes relatively a small portion.

In case you're curious, here's our not-so-secret recipe.

"We start with USDA-inspected quality beef (88%). Then add water to keep it juicy and moist (3%). Mix in Mexican spices and flavors, including salt, chili pepper, onion powder, tomato powder, sugar, garlic powder, and cocoa powder (4%). Combine a little oats, caramelized sugar, yeast, citric acid, and other ingredients that contribute to the flavor, moisture, consistency, and quality of our seasoned beef (5%)."

Figure 1

Copy of the full-page advertisement used by Taco Bell

Thank you for suing us.

Here's the truth about our seasoned beef.

The claims made against Taco Bell and our seasoned beef are absolutely false.

Our beef is 100% USDA inspected, just like the quality beef you buy in a supermarket and prepare in your home. It is then slow-cooked and simmered in our unique recipe of seasonings, spices, water, and other ingredients to provide Taco Bell's signature taste and texture.

Plain ground beef tastes boring.

The only reason we add anything to our beef is to give the meat flavor and quality. Otherwise we'd end up with nothing more than the bland flavor of ground beef, and that doesn't make for great-tasting tacos.

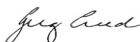
So here are the REAL percentages.

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We stand behind the quality of our seasoned beef 100% and we are proud to serve it in all our restaurants. We take any claims to the contrary very seriously and plan to take legal action against those who have made false claims against our seasoned beef.



Greg Creed
President, Taco Bell

TacoBell.com
Facebook.com/TacoBell



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[Retrieved from Taco Bell website, May 2011]

This statement spelled out their not-so-secret recipe describing the ingredients that are used. It was intended to show that they did not use extenders as claimed in the lawsuit.

We stand behind the quality of our seasoned beef 100% and we are proud to serve it in all our restaurants. We take any claims to the contrary very seriously and plan to take legal action against those who have made false claims against our seasoned beef.

This last statement is very bold and challenging even sternly stating that legal action would be taken against those who make false claims. This was supporting all of the above statements, responding to the allegations, as well as conveying to the consumers and employees that they are very serious in defending their reputation.

In summary, the advertisements made it transparent that Taco Bell's meat does not include "extenders" to add volume and that the ingredients added to the USDA-inspected ground beef are typical of any cooking process. Taco Bell also stated that its seasoned beef is made up of 88 percent inspected beef. The other 12 percent includes water, representing about 3 percent, and spices, representing another 3 to 5 percent, including salt, chili pepper, onion powder, tomato powder, sugar, garlic powder, cocoa powder and a proprietary blend of Mexican spices and natural flavors. Another 3 to 5 percent is represented by oats, starch, sugar, yeast, citric acid and other ingredients. It was stated that the ingredients contribute to the flavor, moisture, consistency and quality of the product.

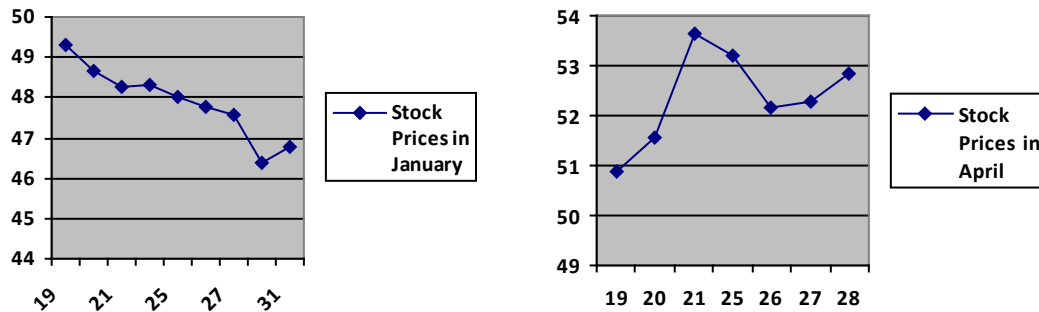
There was a mixed reaction by marketing experts related to the campaign. Some felt that the company was taking a chance but that the campaign could pay off. However some indicated that the company was taking a chance and a calculated risk (Jargon, 2011). This was definitely a risk since it could have back fired. Much depended on how effective the social media would be in defending the lawsuit. Taco Bell used a one-two punch by utilizing online media as well as print media. The results would be useful for any future actions by other corporations facing legal allegations.

Lawsuit Dropped

Taco Bell finally announced on April 19th, 2011, that the law firm that had filed suit against the company, alleging its ground beef contained little beef, has withdrawn the litigation. Beasley Allen, an Alabama law firm, voluntarily withdrew its lawsuit with no money or other value being exchanged between the parties. Taco Bell also clarified its position that they were not making any changes to its products or advertising. The law firm did not seek money, so the resolution of the case did not involve any money. In the words of Mr. Greg Creed, President of Taco Bell, "this sets the record straight about the high quality of our seasoned beef and the integrity of our advertising. We are extremely proud of our food quality. We took great exception to the false claims made about our seasoned beef and wish the attorneys had contacted us before filing and publicizing a lawsuit that dispar-

Figure 2

Prices for Yum stock in January and April on selected days



aged our brand. We have not made any changes to our products or advertising, or even discussed the possibility of any changes with the plaintiff’s lawyers, contrary to what they have claimed. This is a victory for truth over fiction and we’re glad the lawyers voluntarily withdrew their case once they learned the truth. We hope the voluntary withdrawal of this lawsuit receives as much public attention as when it was

filed so we may put the matter behind us and fully concentrate on serving our customer.”(retrieved from Taco Bell’s website, May 2011).

What began as a marketing disaster, Yum! spun in to a media victory. Taco Bell planned to launch a new advertising campaign playing off the failed litigation attempt in hopes of turning the negative attention into a reassuring message about the quality of its food (Becker, 2011). According to a report Taco Bell’s chief executive officer, Greg Creed, in an interview, mentioned starting a \$ 3 to \$ 4 million nationwide advertising campaign to combat negative publicity from the lawsuit (Stempel, 2011).

Figure 3

An Advertisement placed by Taco Bell related to the litigation

Would it kill you to say you’re sorry?

The law firm that brought false claims about our product quality and advertising integrity has voluntarily withdrawn their class action suit against Taco Bell.

- No changes to our products or ingredients.
- No changes to our advertising.
- No money exchanged.
- No settlement agreement.

Because we’ve ALWAYS used 100% USDA-inspected premium beef.

Sure, they could have just asked us if our recipe uses real beef. Even easier, they could have gone to our Web site where the ingredients in every one of our products are listed for everyone to see. But that’s not what they chose to do.

Like we’ve been saying all along, we stand behind the quality of every single one of our ingredients, including our seasoned beef. We didn’t change our marketing or product disclosures because we’ve always been completely transparent. Their lawyers may claim otherwise, but make no mistake, that’s just them trying to save a little face.

We were surprised by these allegations, as were our 35 million customers who come into our restaurants every week. We hope the voluntary withdrawal of this lawsuit receives as much public attention as when it was filed.

As for the lawyers who brought this suit: You got it wrong, and you’re probably feeling pretty bad right about now. But you know what always helps? Saying to everyone, “I’m sorry.”

C’mon, you can do it!



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Impact

One of the ways to assess the impact of any situation is to consider the stock prices of a publicly traded corporation. Fig 2. shows the impact when the litigation was filed on January 19th 2011 and subsequent following days. There was a drop in the stock prices. Fig 2 also shows the stock prices for selected days in April after the withdrawal of the lawsuit, where the stock prices were fairly steady. It should be noted that these figures and tables may or may not represent the impact on Taco Bell since the prices available are for Yum Corporation which also contains other restaurants mainly KFC and Pizza Hut. In this case study these are included only for academic purposes to show a possible measure for impact of any adverse or favorable situation.

Parting Shot

In a full-page ad similar to the one placed earlier (Fig 1) the company asks in big bold type: “Would it kill you to say you’re sorry?” (Fig 2). This was again a risky bold attempt to seal the completion of the response to negative publicity and emphasizing that they stood for what they consider as truth. In this ad they clarified four things which were primarily designed to show the customer and employees that the litigation had no impact on the company. Those points in their words were:

[Retrieved from Taco Bell’s website, May 2011]

- No changes to our products or ingredients
- No changes to our advertising
- No money exchanged
- No settlement agreement

This ad was also placed in national newspapers and in order to reach the consumers online, the company launched a YouTube video featuring Taco Bell President speaking about the withdrawal of the lawsuit. This video was placed on the company's YouTube channel, Facebook page, and website all supported by leading search engines and social media.

The final statement on the company's advertisement (Fig 2) as well as their website is worth noting. "We were surprised by these allegations, as were our 35 million customers who come into our restaurants every week. We hope the voluntary withdrawal of this lawsuit receives as much public attention as when it was filed. As for the lawyers who brought this suit: You got it wrong, and you're probably feeling pretty bad right about now. But you know what always helps? Saying to everyone, I'm sorry. C'mon, you can do it!"

Conclusion

This case study highlights the reaction of a company to protect its reputation. It emphasizes the need for swift and bold action when a global brand is under litigation. Developing a sound marketing strategy is needed under such type of a crisis situation. The role and power of social media in mounting an aggressive defense as well as a marketing campaign are evident from the actions taken by Taco Bell. Such prompt action minimizes damage to the reputation and builds consumer confidence. In fact, this is a classical case of benefiting from a crisis.

Discussion Questions

- Consider yourself to be a plaintiff in this lawsuit. Do you think seasoned beef used by Taco Bell follows the USDA guidelines?
- Do you consider the action taken by Taco Bell to be (a) harsh, (b) appropriate, (c) inappropriate, or (d) mild? Give reasons for your justification.
- Discuss the role of social media in the outcome of this case. How does it differ from the traditional approach?
- Critically evaluate the marketing strategy used by Taco Bell. What marketing mix where used in the campaigns selected by Taco Bell.
- If you were the executive chief operating officer how would you have handled this situation differently?
- What would be your reaction if you were the consumer after reviewing all the details presented by both parties?

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