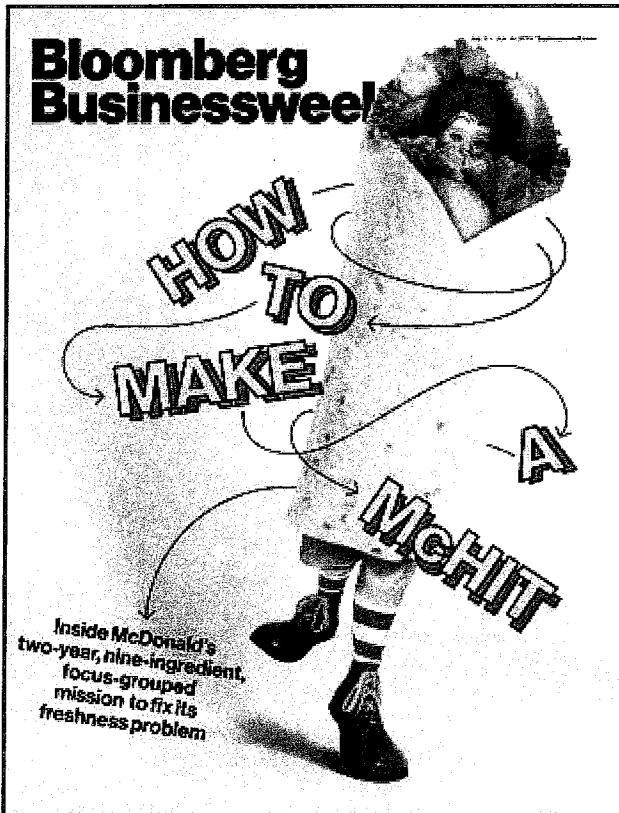


## Companies & Industries

### Why the McWrap Is So Important to McDonald's

By Susan Berfield on July 03, 2013

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How this week's cover got madeIt's a reality of the fast-food business that what can be ordered in a few words, served up in seconds, and consumed in minutes is often the product of years of research and testing. Consider McDonald's (MCD) Premium McWrap, launched on April 1 after a première worthy of a summer blockbuster. The McWrap is a 10-inch, white-flour tortilla wrapped around 3 ounces of chicken (grilled or "crispy"), lettuce, spring greens, sliced cucumbers, tomatoes, and cheddar jack cheese. On top is ranch, sweet chili, or creamy garlic dressing. You could easily make it at home without a recipe in about five minutes, varying it with whatever hasn't rotted at the bottom of the veggie drawer. At McDonald's, it took almost two years to perfect.

Despite its simplicity, the McWrap is one of the most important additions to McDonald's U.S. menu in years. It's made to order. It has cucumbers, a new vegetable for McDonald's. The McWrap is also a salvo in the Fresh Wars: a high-profile attempt to get the attention of customers who have turned to fresher, seemingly healthier offerings from competitors such as Five Guys, Chipotle (CMG), and Subway.

In late March, just days before the introduction of the McWrap, *Advertising Age* obtained an internal McDonald's memo discussing the chain's struggle to attract customers between the ages of 18 and 32.

Noting that McDonald's didn't even rank in the millennial generation's top 10 favorite restaurant chains, the memo went on to say, "McWrap offers us the perfect food offering to address the needs of this very important customer to McDonald's." The memo called the McWrap a "Subway buster." When asked to elaborate, Elizabeth Campbell, senior director of marketing in the U.S., will only say, "We don't think we have a problem with millennials, but we want to remain relevant to all of our customers."



Photograph by Ryan Lowry for Bloomberg

Businessweek Dan Coudreaut There are many people behind the McWrap, from the director of menu innovation to the restaurant managers, but the man McDonald's trots out as its inventor is Dan Coudreaut. He's the executive chef and vice president of culinary innovation. Everyone calls him Chef Dan. He's 47, graduated from the Culinary Institute of America at the top of his class, ran the kitchen at the Four Seasons Resort and Club in Dallas, and joined McDonald's in 2004. He wears his chef's whites with the golden arches on his collar every day. For his cooking audition at McDonald's, Coudreaut made energy muffins with apple butter, yogurt, dried fruit, and nuts; he also made crepes filled with strawberry cream cheese.

Coudreaut works at the company's Oak Brook (Ill.) headquarters in a glass-walled kitchen located along a hallway called North Big Mac Boulevard, just past rows of cubicles. Coudreaut doesn't mind being watched; he was a child actor whose career peaked with an appearance on *All My Children*. He's confident, cheery, and—like many McDonald's executives—well-rehearsed. Memos might get leaked, but those at the top rarely make uncalculated comments. So when Coudreaut says he's looking forward to eating at Momofuku the next time he's in New York, it's true. It's also a signal to foodies that he's one of them.

"When I first joined, it was all about time, speed, profitability," he says. "I thought, Hold on—let's talk about food. I wanted to foster a culinary culture." On the company's website, he says his goal is to change people's perceptions about McDonald's food not being real. Corporate websites are where ideals get to roam free, but Coudreaut and his bosses are serious. Getting real, they insist, is central to

McDonald's future. "We can't compromise on convenience, speed, and value. But we have to keep up with evolving tastes," Coudreaux says. "This will help people think differently about McDonald's."

**Statistically, McDonald's remains a modern marvel.** It's the biggest restaurant chain in the world, measured by sales, serving 69 million people a day, with 14,157 restaurants in the U.S. and more than 34,000 worldwide. More Americans visit McDonald's than any other chain of any kind, including Walmart ([WMT](#)). With its focus on price, McDonald's thrived through most of the recession, then stumbled in 2012. Global revenue grew 2.1 percent last year, to \$27.57 billion, but net income declined 1 percent. In October, U.S. sales were so slow they dragged down the global monthly figure for the first time in almost a decade. Jan Fields, U.S. operations head, left abruptly in November, even though she was helping convince mothers, especially those with blogs, that they could feel good about taking their kids to McDonald's. Her successor, Jeff Stratton, had to bring new items and faster service to the U.S. Outside his office, in foot-high letters, a sign reads: It's Not Real Until It's in the Restaurants.

At Chipotle and Five Guys, where revenue last year was up 20 percent and 14 percent, respectively, customers can see the food being prepared. Five Guys promises that its burgers aren't frozen, and in some restaurants, chalkboards display the names of the farms that grew the potatoes for its French fries. Chipotle was owned in part by McDonald's until 2006, when the burger chain decided to focus on its own brand. These days Chipotle employs the slogan "Food with integrity" and produced a short film critical of industrial farming.

Then there's Subway. The company calls its food preparers "sandwich artists." Its slogan is "Eat fresh," and it continues to tout Jared, the college kid who 15 years ago lost 245 pounds eating low-fat subs and walking a lot. "At Subway you smell the bread baking. You pick out what you want, and they make the sandwich right in front of you," says Bonnie Riggs, a restaurant analyst at research group NPD. "Whether it's healthy or not, the perception is that it's fresh ingredients freshly prepared."

Subway now has more restaurants than McDonald's: 39,618 globally, with 25,936 in the U.S. Store sales reached \$18.1 billion in 2012, and co-founder Fred DeLuca has said he thinks 100,000 stores is a possibility by 2030.

McDonald's won't talk explicitly about the "Subway buster" memo, but in an interview on CNBC in late April, Chief Executive Officer Don Thompson said this when asked about millennials' preferences: "We're as vulnerable today as we always have been. Tastes have been changing, and it's just that we as McDonald's have continued to evolve." As for the McWrap, he said that "millennials are really the target. They love the fusion of tastes." Or at least he wants them to.

The McWrap is a fusion of the fresh and the machined. When a McWrap is made correctly, it's assembled in 60 seconds, and the lettuce and chicken peek out of the top, suggesting farm-to-table freshness. It's also designed to fit easily in a standard cup holder; 65 percent of McDonald's customers order at the drive-through.

McDonald's has yet to share any sales figures for the McWrap. That likely means the numbers are nothing to boast about, says Sam Oches of *QSR*, a magazine about the quick-service restaurant industry. "They would toot their own horn if they could," he says, noting that by adding healthy foods such as salads and yogurt parfaits to its lineup, McDonald's is doing the right thing. "They're just not making any money doing it."

**McDonald's moves slowly because its failures have been expensive.** In 1996 it spent \$100 million to launch the Arch Deluxe, a hamburger with peppered bacon and a mustard-mayonnaise sauce. It was intended to appeal to more adult tastes, but adults didn't like the calories, the price, or the ads. The Arch Deluxe—like the McPizza, McHotDog, and McSalad Shaker—was quietly removed from menus.

Some of McDonald's most recognizable sandwiches, including the Big Mac and the Egg McMuffin, were invented by restaurant owners. In the past decade, though, McDonald's has become more deliberate about creating items. It set up several food studios around the world, and it was in Europe that the wrap entered the McDonald's system. The Czech Republic began selling Chicken Roll Ups in 2004; Poland introduced a sandwich with tortillas the following year, inspired by the kebab, a popular street food. Austria came up with the McWrap's nifty cardboard container, which can be unzipped, in 2009.



Photograph by Ryan Lowry for Bloomberg

By the next year, the wrap had finally made an impression in the U.S. Thompson, then president and chief operating officer of McDonald's, wanted more chicken dishes on the menu. Everyone knew Americans were eating more chicken. Poultry is also inexpensive and versatile. A wrap seemed a natural. But McDonald's doesn't operate on gut feelings, or instincts, or even experience. It uses focus groups. It finds test markets. It runs the numbers. So Coudreaut and the menu innovation team began the long process of recreating the European wraps for some of America's most conventional, ordinary eaters.

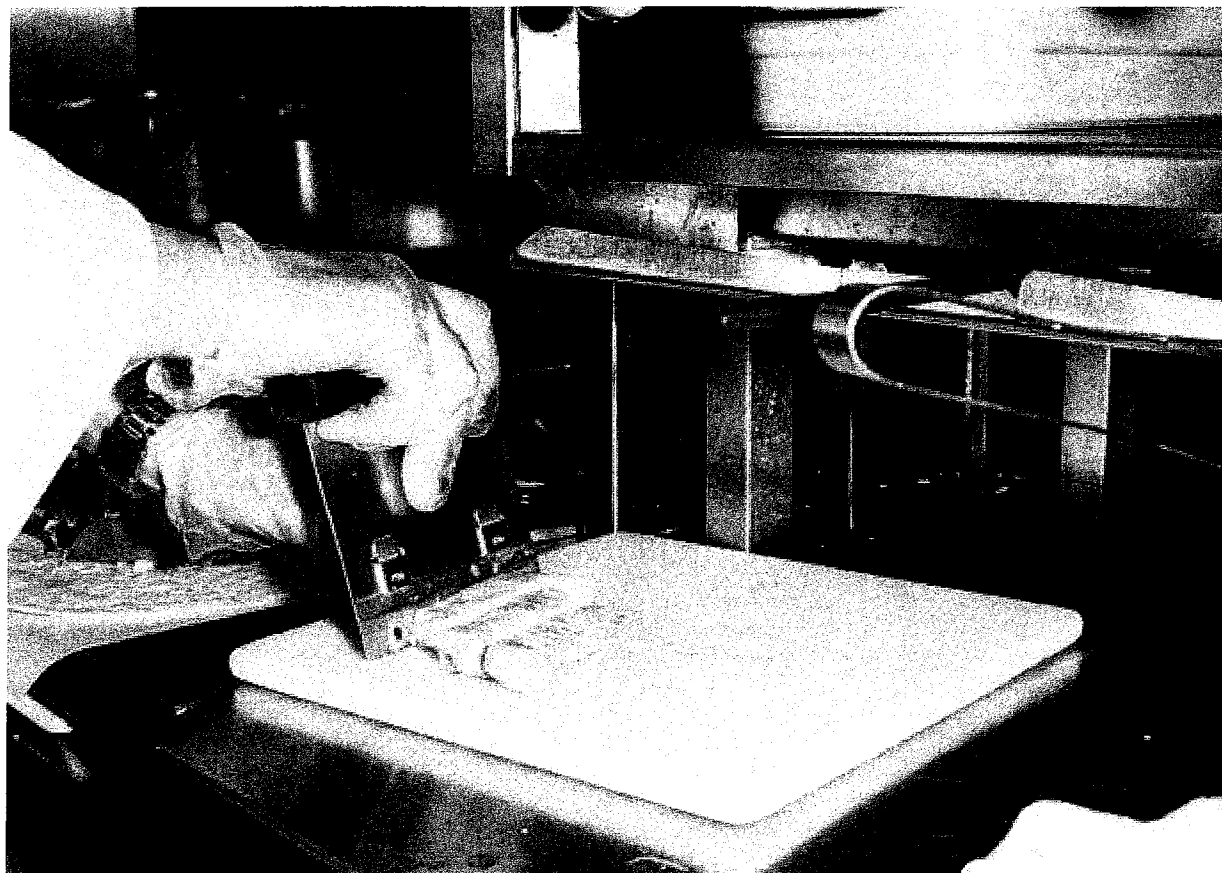
Coudreaut always begins in his small chef's kitchen, where he has a Wolf stove and KitchenAid (WHR) mixers and knives. There he can experiment with ingredients, flavors, and techniques as if he were back at the Four Seasons. "My job is pushing ourselves without breaking the system," he says.

Because at McDonald's the system always wins. That sign outside U.S. operations chief Stratton's office reminding people that it's all about the restaurants? "That's for me," Coudreaux says.

In the early days of development, he tried dozens of flavors, including hoisin sauce and *bulgogi* (Korean grilled marinated beef). "We did a beautiful Asian wrap with a nice slaw using daikon radish. But it was a little niche," he says. Niche is what they say at McDonald's about goat cheese, too. And shrimp.

The flavors that, after months of market tests, were finally chosen for the wrap are mass: sweet chili, creamy garlic, and ranch. At McDonald's, when there's lettuce, there's ranch dressing. "Ranch is ranch. How many times can you spin ranch?" Coudreaux says. "You have to have it if you're in the U.S., much to my dismay."

After lengthy discussions with produce suppliers around the country, Coudreaux managed to add one new ingredient to the McDonald's arsenal: the English cucumber. That might not seem like a big change, but when the chain added sliced apples to its menu, it immediately became one of the largest buyers of apples in the country. The company had to build up reserves of edamame before it introduced its Asian salad. Coudreaux would like to add guacamole one day. Who knows what that would do to the avocado supply?



Photograph by Ryan Lowry for Bloomberg Businessweek For cucumbers, McDonald's went to Taylor Farms and Fresh Express, a producer and distributor owned by Chiquita (CQB). Then it had to figure out how the vegetable could be sliced, evenly, before it reached the restaurants. The chain expects to use about 6 million pounds this year. McDonald's also tested the size of the chicken breast and the amount of lettuce. Initially, the sandwich was made with a half-breast of chicken and loads of produce. "We talked a lot about the veggies," says Leslie Truelove, director of marketing in the U.S.

“But we went too far. People thought it was a salad.” People wanted more meat. Now the wrap has a full breast of chicken, a handful of shredded lettuce, 10 leaves of spring mix, two cucumber slices, and two tomato slices—no more, no less.

As the wrap’s contents evolved, so did the name. The sandwich started out as the Grande Wrap, but no one in the first trial in Chicago knew what “grande” meant. Truelove and her team tried Fresh Garden Wrap. That didn’t go over well in Orlando. McWrap it was.

During early market tests, the sandwich was served in foil, which made sense, as McDonald’s already had foil in its kitchens. Then the team experimented with the packaging from Austria that allowed customers to tear off the top half of the container. “The packaging was a very big, big idea,” says Kasey Short, director of menu innovation in the U.S. “When you unzip the product, there was more excitement.” In the kitchens, though, the crew had trouble stuffing the wrap into the box. Eventually, McDonald’s made the box bigger.

The next problem they encountered was that the tortillas were tearing in the box. Step four, laying the tortilla down after it is steamed for exactly 12 seconds, was the source of the trouble. They found that the ingredients had to be placed on the warm side of the tortilla. Otherwise, the moisture from the tortilla stuck to the box. “That led us to ‘Sauce on the steam side,’ ” Coudreaut says. “That was a big aha for the team.”

McDonald’s employees are supposed to be able to make a wrap in 60 seconds or less. My first try took more than 90. A minute is a long time at McDonald’s, but that’s the point. It’s supposed to be food made by humans. “We’re willing to take a little longer,” Short says. “When customers know products are made for them, they’re willing to wait a little longer.” That might be true, says Julie Hennessy, a professor of marketing at Northwestern University’s Kellogg School of Management, because the service at McDonald’s is still speedy when compared with restaurants such as Chipotle. The food there is fresh, and the customers have plenty of choices, but the burritos take time to prepare, and people can’t eat them on the go. “If customers want to eat fast and fresh, that creates an opportunity for McDonald’s,” she says.

**That it’s made to order and uses English cucumbers may not** prove the most exceptional thing about the McWrap. At \$3.99, it’s four times the cost of a McChicken. This price range has not been nearly as effective for McDonald’s historically as its dollar menu. As if to underscore this, five weeks after the McWrap’s launch, McDonald’s cut the \$4 Angus Third Pounder burger from its menu. (The company explained that it regularly takes off items to make room for new ones.)

Although there’s no immediate plan to release sales figures for the McWrap, the company is eager to claim it a “crazy success,” in Chef Dan’s words. When McDonald’s reported that same-store sales in the U.S. grew a better-than-expected 2.4 percent in May, it attributed the growth to its breakfast menu, range of chicken dishes, and the “ongoing appeal of everyday value.”



Photograph by Ryan Lowry for Bloomberg Businessweek People who spend a lot of time thinking about fast food are mostly, if modestly, impressed with the McWrap. “It’s the best piece of total marketing we’ve seen out of them in a long time. It’s convenient, healthy, fresh, good-tasting, and filling,” says Gary Stibel of the New England Consulting Group. “Honestly, it’s a lot of food. They could work on a smaller size. It would be great for kids. They could make it even easier to eat in the car.”

Richard Adams used to own several McDonald’s in San Diego and is now a consultant to franchisees. He’s also one of the most candid insiders. “It’s supposed to be an assembly-line business. They are giving people too much variety and selection,” he says. “Customers are already frustrated by how long they have to wait. Sales growth will stagnate because of the complexity.” He points out that some of the competition, such as Five Guys and Chipotle, keep their menus simple. McDonald’s has about 145 items on its menu, six of them different kinds of McWraps. As for the notion that McDonald’s should encourage some kind of foodie culture, Adams sighs. He’s heard it before. “McDonald’s management, once they get to a certain level—I think it’s when they get a limo—they no longer want to be hamburger guys. They want to be restaurateurs.”

Now that the cucumber is established in the McDonald’s food supply chain, Coudreaut is plotting to expand its use. “We’re thinking about everything we can do with it: *pico de gallo*, interesting salad ideas, slaws,” he says. “Jicama, chayote, green papaya—the chefs would love to play with those, too. But what do our guests want? We can’t push them further and faster than they’re willing to go.” At one point, he lets on that McDonald’s is testing another version of the wrap; no one would share details.

Even if McWrap sales ultimately disappoint, the McWrap serves another stealth purpose. Hennessy, the marketing professor, notes that customers may come into restaurants with healthy intentions but fall short of their aspirations. Many people encouraged McDonald’s to sell salads, yet in the past decade they have accounted for no more than 3 percent of sales. With salads and now the McWrap on

the menu, customers may forgive themselves a little more for showing up at McDonald's. And if they skip the wrap at the final moment and get a Big Mac and fries instead, she says, "They don't blame the restaurant."

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