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### Disney Loses Its Appetite for Happy Meal Tie-Ins

**As more children lean toward obesity, Mickey and Co. lean away from McDonald's fast food.**

By Rachel Abramowitz

For 10 years, Walt Disney Co. and McDonald's appeared to have the perfect marriage. Happy Meals bore little figurines of Nemo, Mr. Incredible and 101 Dalmatians.

But no more. This is one relationship that's ending in part *because* of the children.

Disney is not renewing its cross-promotional pact with the fast-food giant, ending the arrangement with this summer's release of "Cars" and "Pirates of the Caribbean: Dead Man's Chest." One reason, say multiple high-ranking sources within Disney, is that the company — which prides itself on being family friendly — wants to distance itself from fast food and its links to the epidemic of childhood obesity.

Under the terms of the agreement, said to be worth \$1 billion to Disney, McDonald's paid \$100 million in royalties and conducted 11 promotions a year for Disney films, videos and TV shows, with seven aimed specifically toward the young Happy Meal consumers. Disney also agreed to let McDonald's set up shop inside its theme parks.

Disney declined to discuss the breakup. But in a conference call last year, Pixar Animation Studios chief Steve Jobs — who is now Disney's largest shareholder in the wake of Disney's recent purchase of Pixar — signaled his ambivalence about using characters to sell fast food while promoting a film.

"There is value" in fast-food tie-ins, Jobs said then. "But there are also some concerns, as our society becomes more conscious of some of the implications of fast food."

And Disney is not the only studio that thinks French fries loaded with trans fats may be too hot to handle.

DreamWorks Animation SKG is working with McDonald's to promote "Shrek 3," due out next year. But according to one top-level source inside the studio, there is already internal debate about whether the lovable green ogre should steer clear of Chicken McNuggets and Big Macs in favor of the more healthful fare that McDonald's has added to its menu, such as salads (Shrek is, after all, overweight).

The end of the Happy Meal partnership with Disney comes at a time when the processed- and fast-food industries are under fire on a number of fronts because of growing concerns about expanding waistlines, particularly among youngsters. Last week, former President Clinton announced an agreement worked out by his William J. Clinton Foundation and the American

Heart Assn. to persuade the makers of Coke, Pepsi and others to phase out the sale of sugary soft drinks in schools.

But some say the more discreet actions of the entertainment industry could ultimately have a greater influence, especially if other corporate giants follow suit.

"I think it would have impact in contributing to the cultural change that is necessary," said Dr. J. Michael McGinnis, chairman of a National Academy of Sciences panel that just released a study showing how food marketing adversely affects children's diets. "The committee thought it was important for the use of cartoon characters that appeal to children only to be used in the marketing of healthy products."

One of the industry's most prominent critics, "Fast Food Nation" author Eric Schlosser, said it would be "hugely significant" if Hollywood walked away from Happy Meals. "It will put more pressure on McDonald's to change what they sell in Happy Meals. The obesity issue would be irrelevant if the food in the Happy Meals was healthy."

Sources on both sides of the agreement say the parting of the ways was mutual. And it's not a complete divorce. McDonald's fare will continue to be offered in Disney's theme parks. Disney is also leaving open the possibility of McDonald's promotions geared toward adults.

Disney released a statement praising its decades-long relationship with McDonald's, adding: "While our contract with them will expire at the end of the year, we look forward to a more flexible, nonexclusive relationship where we will be working with them on a case-by-case basis."

That sentiment was shared by Dean Barrett, senior vice president of global marketing for McDonald's.

"Our relationship was ongoing before the agreement and will continue after," Barrett said. "We've had great success. There's great entertainment value with us and Disney, and I would think that would continue for years to come."

Barrett said the only factor that was really changing was the exclusivity of the relationship — McDonald's is now free to partner with other studios. Hence McDonald's new, two-year agreement with DreamWorks, beginning with "Shrek 3." DreamWorks declined to comment.

Disney has not signed any new promotional deals with fast-food providers, even though its purchase of Pixar gave it an even bigger slate of potential family-oriented blockbusters to market to youngsters. Industry analysts say the breakup will force both Disney and McDonald's to find new promotional outlets.

"Fast food has been a very important promotional partner in promoting films to children," said industry analyst Lowell Singer of Cowen and Co. "As the animated marketplace gets more competition over the next few years, Disney will need to be much more aggressive and creative in reaching children through other promotional outlets."

Restaurant analysts don't expect the bottom line of McDonald's to suffer if other studios and toy companies pick up where Disney left off. Children may not even notice.

Elizabeth Calvin, a West Los Angeles mother who occasionally takes her 7-year-old son Gabriel to McDonald's, said the change won't make a difference to him. "He definitely is interested in the toy aspect more than the food," she said. "I'm not sure he really cares which toy it is. He likes the ones that are little games more than he does the plastic characters."

Happy Meals are marketed to children between the ages of 3 and 9. A Happy Meal with a cheeseburger, small fries and Sprite totals 670 calories, with 26 grams of fat and 4.5 grams of trans fat — the fat type that experts say is particularly dangerous. In recent years, McDonald's has added healthful alternatives such as apples and low-fat milk.

McDonald's won't say how much of its business comes from the sale of Happy Meals. But a good toy promotion can double or triple those sales.

Blame impressionable young minds and "the nag factor," said Jerome Williams, a professor and advertising expert at the University of Texas. "Kids see a movie, and see it's being promoted with a particular product, they'll nag their parents about it," he said. "Studies have shown that, after a while, parents will give in to their children.... They're not so much expressing a preference for a Happy Meal but for the character the Happy Meal is associated with."

According to a study released last month by the National Center for Health Statistics of the Centers for Disease Control and Prevention, 19% of children ages 6 to 11 are overweight, and 17% of teenagers are overweight.

Those figures may be conservative, said James O. Hill, director of the University of Colorado's Center for Human Nutrition. He said new government data suggest that as many as 40% of young children are overweight and about 20% fall into the obese category.

"The government doesn't use the term 'obese' for children," Hill said. "They use the terms 'overweight' and 'at risk for overweight' [that are] comparable to 'obese' and 'overweight' for adults. Very few of those kids are going to grow out of it. Most of them are going to grow up to be overweight and obese adults."

Other factors contributed to the unraveling of the McDonald's-Disney alliance. Although the relationship boasted hit promotions for such films as "101 Dalmatians" and "Lilo & Stitch," some McDonald's franchisees began to chafe when the studio churned out clunkers like "Treasure Planet." The company also had to abide by Disney's strict rules regarding use of its characters, which were not allowed to be seen eating McDonald's food.

For its part, Disney grew disgruntled with some of McDonald's advertising efforts and had problems with the fast-food giant's toy production schedule, according to a high-level Disney executive. The studio had to lock down release dates at least 18 months ahead of time to accommodate the needs of McDonald's. If the studio moved the date, it had to pay a penalty to McDonald's.

Hollywood and fast food have been closely aligned since the 1980s, with some sort of fast-food tie-in to almost every major film targeting children.

An exception is the "Harry Potter" franchise, which had only one promotional partner, Coca-Cola, for the first two movies, and none for the last two.

That's in part because "Harry Potter" author J.K. Rowling went on record stating that "fast-food kids meals would be her worst nightmare," said Diane Nelson, executive vice president of global brand management for Warner Bros. "She made it clear she had an aversion to it. "We ... decided internally it was not the right way to approach the brand."

Nelson said Warner Bros. planned to continue fast-food tie-ins to promote other films, and noted that the industry now offered more healthful alternatives to give people a choice.

"We are certainly conscious and watching the situation with childhood obesity and how that is being tied in with our business.... It's important to be responsible."

That said, Nelson added, "we're not going to walk away from the category."