

## The Ketchup Wars

Monday, October 28, 2013 | Lydia DePillis, The Washington Post

Last week, two iconic American brands parted ways: McDonald's and Heinz, which had supplied red goop to the golden arches for 40 years. Heinz's new private equity owners had installed Bernardo Hees, formerly CEO of Burger King Worldwide and currently still a board member, as the company's new chief executive. It's not an



unprecedented food fight: When PepsiCo owned fast food brands like Taco Bell, other franchises engaged in proxy wars by allying themselves with different soda companies. Here are a few fascinating facets of the now-ruptured relationship.

Heinz and McDonald's have been through this before. Back in the early 1970s, Heinz supplied most of McDonald's ketchup. But in 1973, a tomato shortage struck, and Heinz prioritized its glass bottle customers over its bulk fast

food accounts. McDonald's abruptly terminated their agreement. "From there on after, we've been on the outside looking in," a Heinz executive told the Wall Street Journal in 2006. Indeed: Heinz's investors pressed the company to sell more to McDonald's, before it was purchased by a partnership of Berkshire Hathaway and Burger King's parent company, 3G Enterprises (some analysts predicted that would create problems with the world's biggest fast food chain).

Heinz could be hit hardest overseas. U.S. burger eaters probably won't notice much of a difference, since McDonald's was only using Heinz ketchup in its Minneapolis and Pittsburgh markets; the rest is private label. It will, however, lose out in emerging countries, where McDonald's has 66 percent of its sales, and where Heinz had had more success in working with it. North America makes up only 40 percent of the Heinz company's total sales, and it's looking overseas for more growth in Ketchups & Sauces -- which it estimates is a \$110 billion business -- and being cut out of the McDonald's business could hinder it. "This category represents the past and future of Heinz and we possess numerous competitive advantages, including rapidly growing businesses in Emerging Markets, upside potential in Developed Markets and our unique, proprietary HeinzSeed capabilities, which deliver superior, great-tasting tomatoes for Heinz® Ketchup & Sauces," reads its 2012 annual report.

McDonald's was still a small part of Heinz's business. McDonald's won't give out numbers for the amount of ketchup it consumes globally, but in 2006, it reportedly used 250 million pounds of the stuff in the U.S., only a small fraction of which came from Heinz. For a rough comparison, today Heinz says it sells 650 million bottles per year worldwide, which works out to 569 million pounds -- not including bulk sales to fast-food restaurants.

Ketchup isn't even most of Heinz's business. The company has grown far beyond its horseradish roots. Ketchups and sauces are the company's largest core category, but not ketchup itself; the company now owns restaurants like T.G.I. Friday's, lines of food like Ore-Ida potatoes, and lines of diet foods like Smart Ones. The loss of one ketchup customer isn't going to hurt too badly. The rivals aren't that huge either. In fact, McDonald's in-house ketchup may be the second biggest one: While Heinz says it did \$5 billion in sales for all ketchups and sauces in 2012 (it doesn't break them out by condiment), ConAgra's Hunt ketchup only did \$69.5 million between May 2011 and May 2012, and has 14.6 percent market share.

1. In appropriate paragraph form, compare and contrast the pros and cons of blatantly dismantling a long-term relationship as it pertains to professionalism in business or otherwise. Provided the information articulated in the passage above, do you believe the decision to terminate this time-honored relationship is within the best interest of business or merely employing revenge in an attempt to settle a personal vendetta? In anticipation of inevitable turmoil, identify a series of proactive measures Bernardo Hees may have exercised *prior to* accepting his command post at Heinz to ensure cohesion among rivals and competitors who partake in the same product. How does this compare to relationships in the secondary educational setting? Thoroughly explain your reasoning and provide specific artifacts and evidence not limited solely to article above to support your response. Create and illustrate a Venn Diagram to effectively explore relationships and patterns and to make arguments about relationships between sets.  
**(LA.910.3.2.2; LA.910.1.6.2; MA.912.D.7.2; MA.912.A.10.1)**

**Next Generation Sunshine State Standards** adapted from [floridastandards.org](http://floridastandards.org). Standards specifically addressed in this edition are strategically aligned with state standards and annotated adjacent to the respective inquiry.

Copyright 2013. The Daughtry Times<sup>®</sup> Education through Integration™ All rights reserved. [www.daughtrytimes.com](http://www.daughtrytimes.com)  
Contents of this document excluding the article itself, may not be published, broadcast, rewritten or redistributed in whole or part without the express written permission through a licensed agreement and is restricted to teacher-student use only.

2. According to QSR magazine, McDonald's 2012 system wide sales were approximately \$35.6 billion. In fact, McDonald's 2012 sales alone were greater than Subway, Wendy's, Burger King and Chick-Fil-A combined. Although exceedingly unlikely, assuming Heinz loyalists coupled with devoted business owners affiliated with Hees singlehandedly dethroned the insurmountable McDonald's empire via plummeting their annual sales by an unprecedented 19% whereas simultaneously increasing Burger King's statistics by 38%, after how many years and months would the two Burger behemoths equate financially? Define a variable and identify as the solution to a system of linear equations via employing the substitution, graphing, and elimination methods. Explain which of the three methods you find most conducive to solving this inquiry. Tell whether the system has *one solution*, *no solution*, or *infinitely many solutions* as well as the unique criteria which constitutes each individual category in terms of slopes and y-intercepts. Make a general statement about the solutions obtained when solving by graphing the results with that derived from solving by substitution. **(LA.910.3.1.3; MA.912.A.10.1; MA.912.A.2.13; MA.912.A.3.10; MA.912.A.3.8; MA.912.G.1.4; MA.912.A.3.12; MA.912.A.3.13)**
3. The minimum franchising fee for a McDonald's establishment requires \$750,000 of non-borrowed personal resources for an application to even remotely be considered. Naturally, individuals with additional funds may be better equipped for additional or multi-restaurant opportunities. During the term of the franchise, one agrees to pay McDonald's a monthly service fee of at least 4% of all monthly sales and a monthly base rent or percentage rent that is a percentage of monthly sales. To ensure maximum productively, it behooves the owner to operate the business at the same from the adjacent tri-cities within the immediate vicinity. Explain where the restaurant should be built and illustrate a diagram to support reasoning. Employ the Perpendicular Bisector Theorem, its converse and concurrency of Perpendicular Bisectors of a Triangle to determine how far the target was located from each student-athlete. Illustrate the diagram and identify concurrent lines and the point of concurrency. **(MA.912.G.1.2; MA.912.G.4.1 - MA.912.G.4.6)**
4. The majority of the negatively economic affected areas unable to support your franchise from the previous inquiry contain a high concentration of students from low-income homes coupled with relatively low graduation rates. Interestingly enough, the farther north geographically, the less likely similar issues were present; thereby, implying concerns in the southern, eastern, and western sectors. Sketch a diagram illustrating these results and explain specifically what one can derive via applying the Hinge Theorem to this scenario. **(MA.912.G.4.7; MA.912.G.8.2; MA.912.G.8.1; MA.912.G.8.6)**
5. Thus far, in Geometry we have reasoned directly from given information to prove desired conclusions. In an indirect proof, you start by making the temporary assumption that the desired conclusion is false. By then showing that this assumption leads to a logical impossibility, you prove the original statement true by contradiction. Write an indirect proof regarding the infamous aforementioned Ketchup Wars. **(MA.912.G.8.2; MA.912.G.8.4; MA.912.G.8.4)**
6. Identify and thoroughly support your reasoning regarding which of the following that best describes the author's attitude towards the estranged and dismantled relationship between the most notorious and highest grossing burger restaurant in the industry worldwide and Heinz: flippant disregard, mild frustration, passive resignation or an informed citizen. Explain the intended purpose of this article and identify any indicators or supporting evidence, which suggest the author may possess a bias for or against the termination of an otherwise long-term relationship. What is the central idea and what conclusion might one obtain? Provide an inference an independent restaurant owner may derive from this material. The point of view employed is best described as first person, second person, third person, or a combination of first and third person. How may this article be referenced for an independent student research project analyzing loyalty among business relationships? **(RI.9-10.1 - 10.6)**
7. Using contextual clues only, determine the most complete and accurate definitions of following italicized terms: *condiment*, *hinder*, *proprietary*, *ruptured*, *equity*, *facet*, *proxy*, *allying*, *unprecedented*, *franchises*, and *executive* as obtained from the passage above. Additionally, use each word in a complete sentence to demonstrate further comprehension. **(LA.910.1.6.3; LA.910.1.6.1)**
8. **SARASOTA MILITARY ACADEMY WORD-OF-THE-WEEK** Create a concluding paragraph aligned with the passage above using the following italicized word: *Accrue* v. to gradually accumulate over time **(LA.910.1.6.1; LA.910.1.6.5)**

*Trăiască Daughtry Times. Asta este tot | Due Monday, November 4, 2013*

**Next Generation Sunshine State Standards** adapted from [floridastandards.org](http://floridastandards.org). Standards specifically addressed in this edition are strategically aligned with state standards and annotated adjacent to the respective inquiry.

Copyright 2013. *The Daughtry Times*® Education through Integration™ All rights reserved. [www.daughtrytimes.com](http://www.daughtrytimes.com)  
Contents of this document excluding the article itself, may not be published, broadcast, rewritten or redistributed in whole or part without the express written permission through a licensed agreement and is restricted to teacher-student use only.