

PETA'S "KENTUCKY FRIED CRUELTY, INC." CAMPAIGN

Professors Gerard Seijts and Michael Sider prepared this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Version: (A) 2004-03-29

September 2000 was a very good month for McDonald's: on September 6, 2000, People for the Ethical Treatment of Animals (PETA), the world's largest animal welfare activist group, announced a one-year moratorium on its McDonald's campaign. For six years, PETA had been demanding, very publicly, that the world's best-known burger chain dramatically improve its treatment of the chickens, cows and pigs raised and slaughtered for its restaurants.

The animals McDonald's called "food," PETA claimed, were grossly abused. If dogs and cats received similar treatment, those responsible would be subject to legal action. PETA's views had been prominently exposed in The Washington Post by reporter Daniel Zwerdling, who had also appeared on National Public Radio's "All Things Considered" and "Talk of the Nation" to discuss PETA's campaign. A prominent British lawsuit by PETA against McDonald's, threatening letters to Jack Greenberg, McDonald's chief executive officer, verbal attacks at shareholder meetings, and a plethora of bloody parodies of McDonald's most prized marketing ideas — "Unhappy Meals" passed to children outside McDonald's restaurants colorfully illustrating how McDonald's chickens live their entire lives crammed five to a cage in cages the size of a desk drawer; media-friendly "Cruelty to Go" advertisements showing bloody cows' heads above captions asking "Do you want fries with that?" (see Exhibit 1) — had brought McDonald's to its knees: the company agreed in August, 2000 to some of PETA's demands, and PETA, hoping to encourage further compromises, backed off.

Encouraged by its success, PETA set its sights on other major restaurant companies, all of which, PETA claimed, made their profits from the pain and suffering of fellow creatures. Kentucky Fried Chicken (KFC), and its parent company, Yum! Brands, Inc. (Yum), was one of the next companies targeted.

YUM! BRANDS INC.

Yum, headquartered in Louisville, Kentucky, was the world's largest quick-service restaurant company. It had nearly 33,000 restaurants around the world in more than 100 countries. Yum operated KFC, Pizza Hut, Taco Bell, A&W All American Food (A&W) and Long John Silver's. The company had been an independently publicly owned company since October 7, 1997, when it spun off from the Pepsi-Cola Company (PepsiCo), who owned and franchised the KFC, Pizza Hut and Taco Bell brands. In 2002, the company changed its name to Yum from Tricon Global Restaurants to reflect its expanding portfolio of brands and its ticker symbol (YUM) on the New York Stock Exchange (NYSE).

KFC, Pizza Hut, Taco Bell and Long John Silver's were global leaders in their respective restaurant categories. Yum's global system sales totaled more than US\$24 billion in 2002. The chairman of the board, CEO and president of Yum, David C. Novak, had served in this position since January 2001. Novak previously worked for KFC, Pizza Hut and Pepsi-Co. He held a bachelor's degree in journalism from the University of Missouri.

Yum's Vision and Founding Truths

Yum dedicated itself to putting a smile on the faces of its customers throughout the world. It wanted its restaurants to offer customers food that made them want to return, and service that put them first. The company believed a smiling customer had lifelong loyalty to the brand, and thus trained its employees throughout the world to be fanatically devoted to customer service. Employees were trained to respond to customers, rather than just listening to them, and to show they cared for them. In order to empower its employees, Yum made the general managers of each of its restaurants their most important leaders. In turn, general managers ran their restaurants as if they were their own — indeed, as if they were Yum's only restaurant. Yum looked to each restaurant for the operational discipline and marketing innovation that bespoke this sense of devoted ownership.

KFC CORPORATION¹

KFC, based in Louisville, Kentucky, sold fried chicken all over the world. It had a 45 per cent market share of the fast-food chicken business. It tailored its chickens to customers' increasingly diverse tastes, offering original recipe, an extra-crispy version of the original for those who liked their chicken well-fried; chicken strips (the long, boneless chicken "tenders" well-liked by children); and, most recently, "popcorn" chicken, small, popcorn-sized balls of fried, boneless chicken served in a bucket to resemble movie-theatre popcorn. Hungry — and health-conscious — patrons could purchase salads, beans, mashed potatoes and other side dishes to accompany their chicken entrees.

KFC's founder, Colonel Harland Sanders, born September 9, 1890, actively began franchising his chicken business in 1955, at the age of 65. He took his fried chicken recipe to restaurant owners, and, on a handshake, they agreed to pay him a nickel for every fried chicken they sold. By 1964, he had more than 600 franchised outlets for his chicken in the United States and Canada. In 1966, KFC went public. It was listed on the NYSE in 1969. KFC was taken over by Heublein Inc. for US\$285 million in 1971 and became a subsidiary of RJ Reynolds Industries Inc. in 1982. PepsiCo bought KFC from RJ Reynolds in 1986 for US\$840 million.

KFC served more than a billion chicken dinners annually, and had more than 11,000 outlets in more than 80 countries around the world. At the end of 2002, it operated 5,472 outlets in the United States. KFC served more than eight million customers each day. In the United States alone, 26 million people per week visited a KFC restaurant.

People for the Ethical Treatment of Animals²

PETA, an international non-profit organization based in Norfolk, Virginia, was founded in 1980 by Ingrid Newkirk, its current president, and Alex Pacheco. PETA had branch offices in San Francisco, Boston, New York and Washington, D.C. PETA had people working from their homes or rented office space in many cities. It had international offices in London, Stuttgart, New Delhi and Hong Kong.

PETA, the largest animal rights organization in the world, operated under the single principle that animals are not ours to eat, wear, experiment on or use for entertainment. PETA educated policy-makers and the public about animal abuse and promoted an understanding of the right of all animals to be treated with respect. It also worked through undercover investigations, research, animal rescue,

¹www.kfc.com, September 15, 2003.

²PETA provides detailed information on all of its past and ongoing activities at www.peta.org., September 15, 2003.

legislation, special events, the involvement of celebrities, consumer boycotts and direct action. PETA focused its attention on the four areas in which the largest numbers of animals suffer the most intensely for the longest periods of time: in factory farms, in laboratories, in the fur trade and in the entertainment industry.

The International Grassroots Campaign Department was responsible for co-ordination among the various local and international offices to facilitate grassroots activism. Local offices, however, had considerable autonomy in initiating actions that served the welfare of animals. PETA was funded almost exclusively by the contributions of its 750,000 members; it received no government support. Contributions in the fiscal year 2001/2002 totaled US\$16,443,110.³ The annual membership fee was US\$15, but members were free to contribute more. PETA received uniformly high ratings from charity watchdog groups for spending less than 25 per cent of its budget on administration and fundraising (e.g., most employees earned less than US\$25,000 a year).

A significant number of PETA's staff members — about 150 — were vegetarian or refrained from use of animal-derived food or products altogether. Being a vegetarian or vegan, however, was not a condition for employment or membership. Nevertheless, no animal products were allowed in PETA buildings. Most PETA members were young to middle-aged people with a high school or college degree. Anybody who was interested in animal rights and welfare was welcome to join PETA.

PETA had earned a reputation for its strong commitment to its goals and its bold pressure tactics. PETA had been responsible for numerous accomplishments:

- PETA uncovered the abuse of animals in experiments in 1981, launching the precedent-setting Silver Spring Monkeys case. PETA's actions resulted in the first arrest and conviction of an animal experimenter in the United States on charges of cruelty to animals, the first confiscation of abused laboratory animals and the first U.S. Supreme Court decision for animals in laboratories.
- PETA's undercover investigation of a huge contract testing laboratory in Philadelphia and PETA's subsequent campaign led to Benetton's permanent ban on animal tests — a first for a major cosmetics company. Other leading companies, such as Avon, Revlon and Estée Lauder, followed suit. Gillette announced a moratorium on animal tests after PETA's 10-year campaign. In 2004, PETA listed more than 550 cosmetics companies that do not test products on animals.
- PETA was able to convince General Motors Corporation not to conduct crash tests on pigs and ferrets.
- PETA released undercover photographs and videotapes showing ducks being violently force-fed on a foie gras farm in New York, resulting in the first ever

³Annual Report 2002.

police raid on a U.S. factory farm. Since this action, many airlines and restaurants dropped foie gras from their menus.

- In another precedent-setting case, a California furrier was charged with cruelty after a PETA investigator filmed him electrocuting chinchillas by clipping wires to the animals' genitals. The American Veterinary Medical Association denounced the killing method, saying it causes animals to experience a heart attack while fully conscious. In another undercover exposé, PETA videotaped a fur rancher injecting minks with weed killer, causing them to die in agony. Both farms ended these killing methods.
- GAP Inc. agreed to stop using leather from India and China after PETA members protested in its stores. J. Crew, Liz Claiborne, Clarks and Florsheim also agreed to stop selling Indian and Chinese leather. PETA persuaded 40 other companies, including Nike, Reebok and DaimlerChrysler, to place a moratorium on the purchase of leather from India, where, they claimed, animals were transported in bone-breaking conditions and skinned alive.
- PETA convinced Mobil, Texaco, Pennzoil, Shell and other oil companies to cover their exhaust stacks after showing how millions of birds and bats became trapped in the shafts and were burned alive.
- Following PETA's five-month "Murder King" campaign, Burger King announced that it was taking action to ease the suffering of the animals raised and slaughtered for its restaurants. The company responded by conducting unannounced inspections of its slaughterhouses, requiring that hens be given greater space in cages and stopping the purchase of hens from suppliers who starve the birds to shock their bodies into another laying.⁴

Indeed, PETA has had a profound effect on the manner in which multi-billion-dollar corporations treat animals. In 1995, *The Washington Post*⁵ concluded that because of PETA "labs have closed Many designers have stopped using fur Rules, laws have changed" *The Virginian-Pilot*⁶ stated that PETA "has cajoled, bullied and embarrassed world-famous fashion designers, research hospitals and medical schools into changing their policies" *The Globe and Mail*,⁷ in 2003, wrote:

⁴After laying eggs for about one year, commercial laying hens start to become unresponsive to the artificial light that keeps them laying for extended hours, egg production starts to fall and eggshell quality decreases. The bird's skeleton has been depleted of calcium. If hens were then exposed to short days, say of eight hours, they would gradually go out of reproductive condition and then would molt naturally. However, natural molting is a slow process, and there would be a wide range of times within a flock of hens to complete the molt. Currently, the poultry industry is not prepared to accept this extended loss of production. At about 74 weeks of age, therefore, hens are sent to slaughter as "spent laying hens" (in Canada) or are "force-molted" (in the United States) to speed up the molting process and get the hens back into reproductive condition for a second and sometimes third laying year. Forced molting programs usually involve withholding feed for 10 to 14 days and simultaneously reducing day length. Forced molting shortens the period of non-production to about eight weeks but results in a huge increase in stress and suffering. For more information, see Ian Duncan, "Welfare Issues in the Poultry Industry," *Journal of Applied Animal Welfare Science*, 2001, pp. 207-221.

⁵Lorraine Adams, "What is PETA's Beef?" *The Washington Post*, May 28, 1995, F-01.

⁶Bill Sizemore, "PETA: Lean and Mean Norfolk-Based Group's Zeal Pushes the Envelope Too Far for Some," *The Virginian-Pilot*, December 3, 2000, A-1.

⁷Lynn Crosbie, "PETA Has to Rethink its Own Ethics," *The Globe and Mail*, January 18, 2003, R-2.

fur coats, once the most tangible signs of one's success, were virtually outlawed through PETA's small acts of terrorism . . . and an enormously successful ad campaign that featured models and actors declaring that they would rather go naked than wear fur . . .

Many of PETA's actions were aggressive and had a touch of sensationalism. Said PETA's Michael McGraw⁸:

We sort of operate here under the observation that we're living in a tabloid age. Things have to be sensational and flamboyant to get attention. We really play into that.

Attracting media attention was the job of PETA's campaigns department — it had one of the largest staffs at the organization's headquarters. Media coverage translated into donations, volunteers and clout. PETA's media savoir faire had contributed to a large extent to its success. However, a number of people found some of the actions PETA initiated to be provocative and even offensive, and it is questionable whether these actions created goodwill with the general public. For example, in 2000, Rudolph Giuliani, mayor of New York, announced that he would end his campaign for the U.S. Senate because he had been diagnosed with prostate cancer. PETA then put up billboards depicting Giuliani with a milk moustache over the caption, "Got Prostate Cancer?" The message was based on research suggesting that dairy products may be linked to the disease. Newkirk made no apologies to those who found the advertisement insensitive or cruel. In her own words:⁹

It didn't occur to me that this was hurtful to a man like Giuliani, who is, like is in a way, a press slut . . . He's out there all the time, just doing what he needs to do to further his agenda.

I believe we should be — and I say that at staff meetings — a lean, mean fighting machine. This is not a rest home for people who just have warm feelings about animals.

PETA's take-no-prisoners strategies have angered a growing group of people. For example, J.P. Goodwin, founder of the Coalition to Abolish the Fur Trade, lashed out at PETA, charging that its "goofy stunts" are turning people off and obscuring the movement's core issue — animal suffering.¹⁰

⁸"PETA's PR: Controversy, 'Yes,' Compromise, 'No.'," *PR News*, April 1, 1996, Vol. 52 Iss. 14.

⁹Bill Sizemore, *PETA: Lean and mean Norfolk-based group's zeal pushes the envelope too far for some*. *The Virginian-Pilot*, December 3, 2000.

¹⁰*Ibid.*

PETA, KFC AND THE POULTRY INDUSTRY¹¹

The poultry industry in the United States was one of the most successful sectors in agriculture. Chicken consumption surpassed beef consumption in 1992; it had already surpassed the consumption of pork in 1985. The poultry industry had enjoyed a remarkable period of growth for at least two reasons. First, health-conscious Americans were eating more chicken. Second, chicken meat was economical relative to competing food items. For 2003, consumption of chicken in the United States was estimated at about 81 pounds per person.

In 2004, more than 90 per cent of all chickens raised for human consumption in the United States had been produced by independent farmers working under contract with integrated chicken production and processing companies. Most of the other 10 per cent were company-owned farms. KFC purchased its chickens from 18 different suppliers who collectively operated 52 farms around the United States: contacts with suppliers included a specified amount of chickens at an agreed upon price. Suppliers or growers thus avoided market risk. These suppliers were independent and controlled their own operations (e.g., housing facilities, utilities, labor and other operating expenses, such as repairs and maintenance). KFC had little or no formal authority to dictate to the suppliers how they conducted their business (e.g., how to raise or transport chickens). Similarly, KFC did not own or operate any processing facilities (see Exhibit 2).

The National Chicken Council (NCC), based in Washington DC, was the national, non-profit trade association representing the U.S. chicken industry. The NCC promoted and protected the interests of the chicken industry and represented the industry before Congress and federal agencies. NCC member companies included chicken producers and processors, distributors and allied industry firms that accounted for approximately 95 per cent of the chickens produced in the United States. The NCC argued that:

Assuring the physical well-being of chickens being raised and housed is a high priority of today's broiler industry. It is vital to the success of companies because top-quality food can be produced only from top-quality birds that have been treated properly. Carefully formulated feed, plenty of clean water, adequate room to grow, professional veterinary attention, and proper handling are all important to flock management and the production of high-quality food products.

But, to PETA, the industry guidelines were baggy and imprecise. The NCC's acceptance of weak evaluative terms, such as "adequate" and "proper" allowed too much room within the industry for abuse of poultry. Relying on scientific studies by poultry experts, such as Dr. Ian Duncan from the University of Guelph and Dr.

¹¹ www.nationalchickencouncil.com, September 15, 2003.

Temple Grandin from Colorado State University, PETA had come up with a list of very precise and measurable improvements it wanted to see implemented as industry standards, and, until the industry made these changes, PETA would continue to attack its practices.

And so, in the words of Dan Shannon, co-ordinator of PETA's campaign against KFC, stonewalled by an industry that refused to take its demands seriously, PETA "turned to consumers and instituted a broad-based public pressure campaign to bring about changes." KFC was the target of this campaign, because this company was responsible, in PETA's eyes, for particularly egregious cruelty to chickens:

KFC's chickens are denied everything they would like to do and are grotesquely abused, as well. Each year, more than 700 million KFC chickens are consumed worldwide. Before the chickens are slaughtered, they are crammed by the tens of thousands into filthy warehouses, with no access to fresh air or sunlight. Many don't even make it into the KFC bucket because they die prematurely from dehydration, respiratory diseases, bacterial infections, crippled legs, heart attacks, and other serious ailments. They are given three times as many antibiotics as cattle or human beings in this country, so that they will grow as quickly as possible and be able to survive the horrible conditions that might otherwise kill them. When the birds are sent to slaughter, their throats are cut, and they are often run through scalding hot water (for feather removal) while they are fully conscious.

We support any action that will help reduce animal suffering, even those that can't save animals' lives, but "only" make the way they are treated a bit less miserable or make their deaths less cruel. We don't stop there, of course — our goal is the abolition of the meat industry, but we certainly won't pass up the chance to make improvements for animals simply because it's not all we'd hope for.

Around the same time, PETA began to put pressure on the NCC to adopt a list of quantifiable animal welfare recommendations or make public any list of such animal welfare recommendations that it already provided to its members.

A Shot Across the Bow

On April 25, 2001, a year and a half after calling off its campaign against McDonald's, PETA's Bruce Friedrich, vegan campaign Coordinator, wrote to Cheryl Bachelder, president and chief concept officer of KFC, U.S.A., Mark Cosby, chief operating officer (COO) of KFC, U.S.A., and David Novak, Yum's

CEO, to warn them that PETA was “looking ahead to [its] next target” — KFC (see Exhibit 3). In his letter Friedrich pointed out that while many of KFC’s competitors had convened advisory panels to help them investigate the welfare of animals raised and slaughtered for their businesses, KFC appeared completely uninterested in the issue. PETA, Friedrich wrote, would rather not engage KFC in a campaign, but if the company refused to put together an animal welfare panel and begin to look into the issue of how to raise and slaughter their chickens more humanely, all the leaflets, action alerts, posters, billboards, T-shirts and media releases PETA was now preparing would be dedicated to KFC and its cruel treatment of chickens. After all, Friedrich wrote, “chickens raised for your restaurants lead lives of unmitigated misery, from their births to their violent deaths.” They “now grow 6-to-7 times as quickly as they would naturally, but their hearts, lungs, and legs cannot keep up, so they frequently suffer lung collapse, heart failure, and crippling and painful leg deformities.” At the slaughterhouse, “many chickens are literally boiled alive as they reach the scalding tank used for hair removal while still fully conscious.” It wasn’t hard to see the threat in Friedrich’s letter underneath the politely measured prose: convene an animal welfare panel, involve PETA in its decisions or we’ll expose the blood and guts of your dirty business to the people who eat in your restaurants.

Friedrich’s letter drew a quick response. On May 24, 2001, Jonathan Blum, senior vice-president of public affairs, met with Friedrich to discuss PETA’s concerns. Blum told Friedrich that he believed in being “honest, down-to-earth, easily approachable, and easy to reach,” and said that Tricon wanted to maintain an open dialogue with PETA on the issue of animal welfare. He also let Friedrich know that Tricon had contacted Dr. Temple Grandin, head of both McDonald’s and Burger King’s animal welfare panels, and would meet with her the week of June 11 to discuss who would be best to sit on a Yum animal welfare panel. Grandin, he said, would also review Yum’s present animal welfare guidelines, even though the company already included an animal welfare component in all its contracts with its suppliers. Blum said that Yum realized its present guidelines were not good enough and wanted to “raise the bar” for animal welfare in the poultry industry. He also promised to keep PETA informed about the company’s progress on this issue at every stage in its development. For his part, Friedrich let Blum know that if the company honored its commitments, PETA would not launch a campaign against it. As Blum left the meeting, Friedrich gave him some reading material: a scientific report on the animal welfare concerns of electrical stunning of chickens.¹²

¹²*Chickens in most North American slaughterhouses are hung by their legs from shackles on an assembly line, their heads dragged through an electrified trough that is meant to render them unconscious before their necks are cut by rotating blades and their bodies dropped into vats of boiling water to remove their feathers. Some chickens raise their heads from the electrical bath before they are stunned, permitting them to go fully conscious to the blade and sometimes, if they twist away from the blade, to the boiling water itself.*

Over the next three months, Friedrich and Blum spent several hours on the phone discussing the composition of Yum's intended animal welfare panel. Friedrich was allowed to suggest the names of several poultry scientists whom he believed could provide Yum with an objective view of its current animal welfare guidelines and give unbiased advice to the company in its creation of future guidelines. He also asked Blum again that PETA be allowed to sit on the panel, or, at the least, to attend some of their meetings, but received no commitment from Blum on this matter. However, communication between the two representatives was cordial and productive.

Blum continued to tell Friedrich that Tricon "believe[s] in open communication," saying in one e-mail "while I can't tell you we'll always agree . . . we'll always listen and discuss." Friedrich was cautiously optimistic. By August, he by and large approved of the people the company had on its panel, including Dr. Ian Duncan, along with several poultry experts unattached to the industry, but he was concerned that time was beginning to fly, and wanted the new panel to meet as soon as possible. Still, both men were happy enough with the company's progress that Friedrich was content to turn all media enquiries about KFC's animal welfare problems over to Blum, and Blum, for his part, agreed to talk to the media about these issues.

Blum's casual and friendly mid-August e-mail to Friedrich suggested the beginning of a mutually beneficial relationship:

Thanks for the update, Bruce. Hope you're having a good summer. It's OK for [the press] to contact me. I'll also be calling [PETA] today as our invitations went out two weeks ago to the council and we're waiting on their response. We think they'll accept, and I'll let [you] know who (sic) we invited. Also, we're scheduling the first meeting in September. So, all's moving in the right direction.

Indeed, in early September, Blum's invitations to prospective panel members having been accepted and Yum's new animal welfare panel having been constituted, Blum invited Friedrich and PETA's lead scientist, Dr. Steven Gross, to suggest animal welfare proposals to the panel, allowing PETA the input for which Friedrich had been asking for several months. Friedrich and Gross jumped at the chance, sending Blum a lengthy report requesting major changes to KFC's treatment of its poultry, including:

- Replacing current chicken-killing methods with gas killing
- Installing cameras to enforce humane standards in all slaughterhouses
- Implementing mechanized rather than manual chicken catching prior to transportation, avoiding the broken leg bones that commonly occur when chickens are caught and thrown by hand into packing crates
- Providing chickens with more room in which to grow, exercise and engage in their natural activities (such as perching and seeking out shade)

- Stopping forced rapid growth and use of drugs for non-therapeutic purposes; feeding chickens an analgesic drug to reduce the pain
- Phasing out the use of the wire cages that destroy chickens' feet, and
- Establishing effective, objective audits of its breeding and killing facilities, audits accompanied by real penalties for failure.

Over the next six weeks, though, PETA heard little from KFC, despite several requests to hear about the panel's response to their requested changes. On October 30, Friedrich faxed Blum a letter expressing his concern that Tricon had "stopped updating PETA on [its] progress." Friedrich reminded Blum that Blum said "when we met and in subsequent conversations that [he] wanted to work with [PETA] and that Dr. Grandin and the others on [the] panel would brief [PETA] as to progress." Friedrich also reminded Blum that, since that assurance, PETA had not criticized the company in the media and had even directed media the company's way "with a positive nod." The same day, Blum sent Friedrich the following response (see Exhibit 4 for the full letter):

Thank you for your letter. Our advisory council is in the process of doing its due diligence. They are reviewing and discussing policies, external recommendations (including PETA's) and industry practices and proposals. They are working toward a year-end goal of proposing new guidelines for KFC with regards to poultry welfare. Once a recommendation has been proposed to KFC's senior management, it will be reviewed, discussed, and then next steps will be determined. That may include adoption of the proposal in sum or part We will certainly let you know of any decisions taken In the meantime, I thank you for your ongoing interest.

Later, PETA was to post this e-mail on its Web site with the following caption: "Yum! informs PETA that its animal welfare panel is still only having discussions and holding meetings and is not making any changes in the way animals are treated."

Skirmishes

In PETA's eyes, Yum accomplished nothing in the next year-and-a-half. Friedrich wrote to or phoned Blum regularly, emphasizing at every turn his dissatisfaction with being excluded from the advisory panel and his frustration at the lack of information from KFC about the panel's discussions. KFC (usually Blum) continued to reply to all of Friedrich's communications, but insisted that they couldn't share specifics with PETA. In July, 2002, Blum wrote to Friedrich to tell him that new guidelines were in place, audits had been held, and "all suppliers passed this self-audit." Friedrich responded by asking for the evidence, and stating

“we’re not convinced that anything you’ve done has helped a single animal.” As the summer came to an end, and KFC refused to share the specifics of its new guidelines and the evidence to support its claims of a successful audit, Friedrich began to use the word “fraud” to describe what PETA saw as KFC’s ongoing attempt to misinform PETA, the media and the public about its attempts to “raise the bar” for animal welfare.

For its part, KFC thought it was still acting in the spirit of “open and honest communication.” It had posted its new guidelines very visibly on its Web site, where, it insisted, “we only deal with suppliers who maintain the very highest standards and share our commitment to animal welfare.”¹³ “Birds,” the guidelines stated, “have to be clean and healthy when arriving for slaughter.” Suppliers can’t use growth hormones, and “must have clean chicken houses with appropriate space and proper ventilation.” The company, it said, provides incentives to its catching crews not to harm birds when catching, and transport and holding of birds “have to be humane.” In addition, in the slaughterhouses, all birds have to be killed quickly and without pain. As for PETA’s specific requests, on January 7, 2003, KFC issued a news release stating that its animal welfare council had reviewed PETA’s recommendations for change (e.g., gas killing, mechanized transport and more space for its chickens to grow in) “and determined that the majority of them are impractical and not based on sound science” (see Exhibit 5).

Open Warfare

On January 6, 2003, however, PETA, fed up with what it saw as KFC’s lack of open communication, public misinformation and outright stonewalling on change had already announced a campaign against the company to the media in a news event replete with bloody descriptions of the cruelties of KFC’s animal factories and a “Kentucky Fried Cruelty” video that supported its claims. PETA told the press.¹⁴

In May of 2001, Jonathan Blum, senior vice president of Yum! Brands, KFC’s parent company, told a PETA representative face-to-face that KFC already had a comprehensive animal welfare program but that it planned to “raise the bar” on animal welfare. Yet he could not point to a single standard, and 21 months later, KFC standards are still sorely lacking. The company has formed an animal welfare advisory board and touted its progress, but the board hardly ever meets, and KFC refuses to implement or even discuss the array of reforms that its members have supported. Furthermore, KFC has completely ignored PETA’s detailed list of sorely needed

¹³ www.kfc.com/about/animalwelfare.htm, September 15, 2003.

¹⁴ Excerpt taken from PETA’s KFC News Conference Presentation, January 6, 2003. Accessed via PETA’s Web site, September 15, 2003..

animal welfare improvements, preferring instead to take baby steps on the issue of chicken slaughter, while doing nothing at all to decrease the abuse of chickens on farms or during transportation.

PETA called on consumers worldwide to campaign against KFC, and said it would give away hundreds of thousands of the leaflets, posters and stickers that journalists had already received in their media packs to activists around the world. The campaign, they announced, would be international, with massive efforts planned throughout the world, “wherever there are KFC stores and people who care about cruelty to animals.”

And efforts there were. It took PETA only two weeks to get in contact with Jason Alexander of *Seinfeld* fame, KFC’s popular spokesperson, whose amusing pitches for the company’s chicken had entertained millions worldwide (two of his ads had been voted among the top 20 ads of 2002 by a renowned advertising industry newspaper). In May, 2003, Alexander met with PETA President Ingrid Newkirk to discuss PETA’s concerns, and, according to PETA, told her “I am your ally.” PETA leaked its meeting with Alexander to *The Washington Post*, which discovered that Alexander’s contract was not to be renewed by KFC. Even though Alexander insisted the parting of ways was friendly, PETA was reported by the *Post* as saying that Alexander “either fell on his sword for the birds or got fired because he stood up for chicken rights.” His statement about his amicable relations with KFC during his departure was, PETA insisted, typically Seinfeldian, “a classic non-denial denial.” KFC and Alexander’s agent remained mum throughout the affair, telling the *Post* they would send written statements and nothing more. By July 2003, PETA had the high-profile support of Canadian Ryan Gosling (*The Believer*, *Murder by Numbers*), singer Chrissie Hynde of *The Pretenders*, who was arrested along with Newkirk in a protest at a Paris KFC, and, most notably, Sir Paul McCartney, who signed an open letter to David Novak published in the *Louisville Courier-Journal*, the largest newspaper in Yum’s hometown.

In addition to its celebrity campaign, PETA sent letters to Yum! Brand companies worldwide, asking them to investigate the issue of animal welfare in the company’s factories worldwide. PETA enlisted the support of animal right’s groups in other countries (for example, in Canada, The Canadian Coalition for Farm Animals and The Animal Alliance of Canada) to put pressure on the brand. They called Bachelder at her home, where Bachelder’s daughter was able to listen surreptitiously to the conversation, and began to write to Novak at his home address. Novak began to travel with bodyguards, but even still was unable to stop German animal rights activists from dousing him in fake blood and real chicken feathers at the opening of Yum’s first A&W in Hanover in June of 2003. “KFC stands for cruelty in our book,” Friedrich told the media. “There is so much blood on this chicken-killer’s hands, a little more on his business suit won’t hurt.” PETA took legal action, pressing the Food Safety and Inspection Service to investigate

reports of animal cruelty in factories that supplied KFC with chickens, and filing a lawsuit in the California Superior Court accusing KFC of false advertising.

In August 2003, when KFC was in the process of revamping its ads in the wake of parting with Alexander, PETA sent letters to two advertising agencies urging them to withdraw from the bidding for KFC's advertising account. In the letters sent to Foote, Cone & Belding and BBDO, PETA stated that:

. . . the negative publicity that KFC generates would reflect poorly on your firm. Accepting an account to promote a company as abusive as KFC would be the moral equivalent of accepting an account to promote a bus company that required African Americans to sit in the back. Accepting an immoral account would invite people of conscience to protest against your agency and its officers There are plenty of advertising dollars to be made with ethical, humane companies that do not share KFC's reputation, and we hope that you will pursue business opportunities elsewhere.

KFC and the NCC in turn attacked PETA. For example, Richard Lobb, spokesperson for the NCC said that:¹⁵

PETA's objective is not to improve animal welfare but to eliminate meat, poultry and other food of animal origin altogether from the human diet. They desire a totally vegan society and will say or do anything to achieve this objective. PETA even approves of the use of violence.

Central to KFC's response was an attempt to discredit PETA's claims, especially the veracity of the damaging "Kentucky Fried Cruelty" video PETA had first aired on January 6, and which, by now, was a popular designation for visitors to PETA's anti-KFC Web site:¹⁶

PETA is attempting to mislead the public with an outdated and questionable video on chicken production . . . the beak-trimming machine shown in the PETA video is a "Lyons" model used about 30 years ago. The system shown is no longer in common use in our industry . . . PETA's attempt to portray this outdated method as today's standard practice is false and misleading . . . PETA's campaign must be seen in light of its willingness to bend or totally ignore the truth in pursuit of its objectives

¹⁵"PETA Attempts to Mislead Public with Outdated Video on Chicken Production," KFC News Release, January 7, 2003..

¹⁶*Ibid.*

PETA's spokespeople Friedrich and Shannon insisted that the video was shot within "the last year and a half." Said Shannon:

Doing things that are dishonest would not make for effective campaigning . . . trust in us may be lost . . . the media may decide not to give us additional exposure . . .

Finally, in August of 2003, PETA dispatched a team of three activists to Louisville, the site of KFC's headquarters and the home of Bachelder and Novak, to build support for its campaign against KFC. The purpose of the activists or envoys was to visit Bachelder's and Novak's neighbors, as well as churches, schools and other local institutions with which KFC executives were affiliated, in an effort to build support for the campaign in KFC's own backyard.

As the activists descended on suburban Louisville's elite, Friedrich wrote a letter to Novak suggesting a meeting to work on the road to progress and talk about peace. Friedrich told Novak he had "the power to make a real and reasonable difference in the lives and deaths of a truly unimaginable number of animals." He insisted that PETA was not "expecting KFC to make monumental changes overnight," but simply asking for a pledge that you will make the changes, do so in a meaningful way and on a reasonable time frame, and make all the changes transparent and verifiable." Blum, not Novak, responded, and his response was short and unambiguous:

In light of the fact that PETA has initiated litigation against us, we do not believe further meetings would be productive. As you know, we have had a number of meetings, conversations and written correspondence with your organization in the past and listened carefully to your concerns . . . we are implementing animal welfare guiding principles that we believe are comprehensive at both the processing and farm levels (see Exhibit 6).

Meanwhile, in the United Kingdom, the *Sunday Mirror* ran pictures of distressed and dying chickens in the cramped sheds of KFC Europe's leading supplier under the caption "No One Does Chicken Like KFC." Said the undercover journalist: "I have investigated animal welfare for many years, but this easily ranks amongst some of the worst cruelty I have seen."

Exhibit 1

PETA ADVERTISEMENT



Do you want
fries
 with that?
McCruelty to go.

PETA

Source: Company files.

McCruelty to go.



In 1997, McDonald's was found "culpably responsible" for cruelty to animals in a court of law. Despite appeals to the company, McDonald's has failed to take even one tangible step to reduce animal suffering. Here are just three examples, among many, of McDonald's indifference to animal suffering:

■ Chickens raised for McDonald's are crammed into crowded, filthy warehouses with less space per bird than a

McMisery

In 1997, the British High Court found McDonald's responsible for cruelty to animals. What has McDonald's done in response? **Nothing.**

standard sheet of paper. This overcrowding causes disease, suffocation, and heart attacks.

■ Some breeding pigs raised for McDonald's live their entire lives in cement stalls, unable to turn around, lie in a comfortable position, or nuzzle their babies.

■ U.S. federal standards for slaughter say that all animals should be fully stunned before their throats are slit, but McDonald's has no mechanism in place to penalize slaughterhouses that consistently skin and dismember conscious animals.

WHAT YOU CAN DO TO HELP:

■ Please write to McDonald's and urge the company to take steps to lessen the suffering of the animals killed for its restaurants.

Jack Greenberg, CEO
 McDonald's Corporation
 1 Kroc Dr.
 Oak Brook, IL 60523

■ Go vegetarian! Call **1-888-VEG-FOOD** for a free vegetarian starter pack, and check out www.MeatStinks.com for more information on PETA's negotiations with McDonald's and on this campaign.



PETA

PEOPLE FOR THE ETHICAL TREATMENT OF ANIMALS
 501 FRONT ST., NORFOLK, VA 23510 • 757-622-PETA
www.peta-online.org

9/99

Exhibit 2**PRODUCTION PROCESSING IN THE VERTICALLY INTEGRATED CHICKEN INDUSTRY**

The commercial chicken industry has become a sophisticated and efficient vertically integrated industry. Through the process of vertical integration, chicken processors and members of the allied industry, who provide products and services to the poultry industry, work together to produce the high quality, nutritious products consumers have come to expect.

A typical vertically integrated broiler (or meat-type chicken) company today consists of several production stages combined under one company in an efficient operation. The following is a brief description of the various stages in the production of chicken products.

Primary Breeder Company — Development and reproduction of strains of chicken that meet the requirements of chicken producer/processing companies are the responsibility of Primary Breeder Companies (PBCs). These companies maintain diverse populations of chickens that are used for breeding purposes. Often beginning with selected lines, also referred to as the pedigree lines, chickens are multiplied over several generations to achieve desirable characteristics such as abundant white meat and efficient feed conversion. Breeder chicks with the appropriate mix of desirable characteristics are then sold to integrated chicken firms.

Feed Mill — Chicken companies own feed mills that convert raw materials such as corn, soybean meal, vitamins and minerals into finished feed according to very specific formulas developed by poultry nutritionists. Over the course of 6 to 7 weeks required to grow broiler chicks to market weight, the feed given to the birds is formulated into 4 or 5 different phases to meet the changing nutritional requirements of the birds as they grow.

Breeder Farm — Often breeder farms are operated by contract growers who raise the breeder chicks to adult birds. Breeding hens and roosters are kept under tight biosecurity on breeder farms to produce fertile hatching eggs for the integrated company. The offspring of breeder parents will then be raised to become broilers for the market.

Hatchery — A hatchery is a specialized facility designed to hatch fertile eggs received from breeder farms. Fertile eggs are placed in incubators and carefully monitored to ensure that correct temperature and humidity levels are maintained throughout the entire incubation period. Eggs are automatically turned in the incubators hourly to keep the embryo from sticking to the shell. Towards the end of incubation, the eggs are placed in hatching trays where the chicks hatch out by pecking their way through the large end of the egg. The chicks are inoculated against disease either while they are still in the egg on the eighteenth day of incubation or shortly after hatching.

Growout — The newly hatched chicks are transported to growout farms where independent farmers raise them to market weight under contract with the company. The company provides the chicks, feed, and any necessary pharmaceuticals; the farmer provides the growout house, water, bedding ("litter"), electricity, and his own management skill. In a few cases, the broiler company owns and manages its own growout houses, but the contract arrangement is more typical.

Exhibit 2 (continued)

The chickens' diet consists of feed made mainly from corn and soybeans. Feed may contain compounds that prevent disease and promote growth of the animal by improving its intestinal flora. Feed does not, however, include any hormones or steroids. Under regulations of the Food and Drugs Administration, no hormones or steroids are allowed to be given to chickens, and none are used in U.S. chicken production. Pharmaceuticals approved for animal use by the Food and Drug Administration are used to treat outbreaks of illness if they occur; if medication is used, there is a withdrawal period before slaughter. The chickens reach market weight of approximately five pounds in six or seven weeks and are collected to be taken to the processing plant.

Processing Plant — At the plant, chickens are stunned unconscious by a low-voltage electrical charge and are then humanely killed. The feathers, feet and head are removed and internal organs pulled for inspection by USDA. Inspectors look for signs of poultry disease and for manufacturing defects, such as broken wings. After inspection, the carcasses are immersed in ice-cold water to reduce their temperature to 40 degrees Fahrenheit to inhibit bacterial growth. After chilling, whole chickens are packed for distribution or cut into parts.

Processing plants operate under Hazard Analysis and Critical Control Points (HACCP) principles to reduce potential hazards from microbiological, chemical and physical sources. Plants also operate under USDA Pathogen Reduction rules to improve the microbiological quality of the product. Some plants are on a system in which plant employees conduct sorting of processed chickens for defects under USDA oversight.

Further Processing — Further processing plants are specialized operations or plants that receive whole chicken or cut-up parts and perform a variety of further processing steps, such as cooking, breading, or marinating.

Transportation and Marketing — Chicken products are transported in refrigerated trucks from processing and further processing facilities to market outlets such as supermarkets, foodservice operations, distributors and other market channels to reach domestic and overseas customers.

Whether the product is a whole bird, cut-up parts, or a further-processed item, the industry continually seeks to produce products that meet changing consumer demands. Vertical integration within the poultry industry gives producers greater control over the production of quality products that successfully meet consumer wants and needs in an attractive, timely, and efficient manner.

Source: National Chicken Council website.

Source: *National Chicken Council Web site.*

Exhibit 3

April 25, 2001

Cheryl Bachelder, President & Chief Concept Officer
KFC, U.S.A.

Dear Ms. Bachelder:

I am writing on behalf of People for the Ethical Treatment of Animals (PETA) and our more than 700,000 members and supporters.

I am sure you are aware of PETA's successful campaign to convince McDonald's to improve the welfare of many of the animals killed for its restaurants (read all about it at McCruelty.com), and our present campaign to compel Burger King to follow suit (www.MurderKing.com). This latter campaign has already resulted in hundreds of demonstrations, including events in all 50 states and more than a dozen other countries. We have people leafleting weekly or monthly in more than 100 cities across the country.

I'm writing to ask why KFC, even as McDonald's, Burger King, and Wendy's convene animal welfare panels to discuss animal abuse, and even as McDonald's and Wendy's are auditing slaughterhouses and making animal welfare improvements, does nothing at all? I am happy to put you in touch with the consultants who are assisting these other corporations, should you wish that to happen.

As you must know, chickens raised for your restaurants lead lives of unmitigated misery, from their births to their violent deaths. As just two examples, chickens now grow 6-to-7 times as quickly as they would naturally, but their hearts, lungs, and legs cannot keep up, so they frequently suffer lung collapse, heart failure, and crippling and painful leg deformities. At slaughterhouses, many chickens are literally boiled alive as they reach the scalding tank used for hair removal while still fully conscious. Will KFC, as McDonald's and Burger King have, convene an animal welfare panel to address issues of particular animal suffering and how to abate it? And will KFC, as McDonald's has, work on the issues of chicken catching and slaughterhouse cruelty?

Business and agricultural consultants tell us that Burger King will be forced to capitulate in the not-to-distant future. In anticipation, we are looking ahead to our next target (for leaflets, action alerts, posters, billboards, T-shirts, articles, and so on). We have no desire to engage KFC if there is action on the part of the company. I am happy to discuss what KFC & Tricon can do in this regard. I hope to hear from you soon. Please call me any time at 757-622-7382.

Sincerely,

Bruce G. Friedrich
PETA

cc: Mark Cosby, Chief Operating Officer, KFC, USA
David C. Novak, CEO, Tricon Global Restaurants

Exhibit 4

BLUM'S OCTOBER 30 E-MAIL TO FRIEDRICH

From: Blum, Jonathan
Sent: Tuesday, October 30, 2001 10:23 AM
To: "Bruce Friedrich"
Cc: "Steve Gross (E-mail)"; "Joy Mench (E-mail)"; "Ian Duncan (E-mail)"; "Adele Douglass
(Business Fax)"

Subject: RE: Wondering what happened...

Bruce,

Thank you for your letter. Our advisory council is in the process of doing its due diligence. They are reviewing and discussing policies, external recommendations (including PETA's) and industry practices and proposals. They are working toward a year-end goal of proposing new guidelines for KFC with regards to poultry welfare. Once a recommendation has been proposed to KFC's senior management, it will be reviewed, discussed and then next steps will be determined. That may include adoption of the proposal in sum or part depending on the specifics of the proposal, ease of implementation by suppliers and importantly, cost implications. We will certainly let you know of any decision taken, or any questions about your recommendations. In the meantime, I thank you for your ongoing interest.

Sincerely,

Jonathan Blum

Source: PETA Web site. Accessed September 15, 2003.

Exhibit 5**KFC Denies PETA Claims**

Company Cites Established, Comprehensive Animal Welfare Program Including Strict Enforcement, Animal Welfare Advisory Council and Unannounced Audits

LOUISVILLE, Ky. (January 7, 2003) - KFC Corporation dismissed allegations made by PETA today, stating that KFC has an established and (sic) comprehensive Animal Welfare Program. KFC has developed and implemented specific, quantifiable guidelines for the treatment of chickens by its suppliers at processing facilities. The Company has engaged outside experts to conduct regular unannounced audits at its poultry suppliers to ensure full compliance with KFC's Animal Welfare Policy. Failure to comply with these guidelines could result in KFC's termination of a supplier's contract and relationship with KFC. The guidelines were developed in consultation with KFC's Animal Welfare Advisory Council which consists of leading scientists and academics in the field of animal welfare.

"KFC is committed to the well-being and humane treatment of broiler chickens," said Dr. Joanne Plichta, Vice President, Research and Development, KFC Corporation. "Our Animal Welfare Council has established a set of quantifiable guidelines that have been implemented in our supplier processing facilities. The experts on our council have also reviewed several PETA proposals and determined that the majority of them are impractical and not based on sound science," Dr. Plichta added. The Council will continue to review proposals from outside groups and provide KFC with an independent perspective on each.

Under the guidance of Dr. Temple Grandin, one of the world's foremost experts in the field of animal welfare, KFC is conducting unannounced audits to ensure that its suppliers are complying with guidelines. "KFC and its Animal Welfare Council have established very specific, quantifiable broiler processing facility guidelines," said Dr. Temple Grandin. "I am working closely with KFC as it implements its audit program to ensure supplier compliance with those guidelines," added Dr. Grandin.

"KFC's Animal Welfare Advisory Council contains some of the leading experts in the field," said Adele Douglass, Executive Director, Farm Animal Services, American Humane Association. "That Council has helped KFC develop sound, science-based guidelines for poultry processing facilities, and I'm pleased that KFC is using Dr. Grandin to conduct its audit program to ensure compliance," Douglass said.

"In our view, KFC, through its Animal Welfare Advisory Council, has been an industry leader in establishing specific, enforceable poultry welfare criteria for our processing facilities," said Dr. Ellis Brunton of Tyson Foods. "They have also been instrumental in developing effective and reasonable farm-level welfare guidelines for the poultry industry," Dr. Brunton stated.

Exhibit 5 (continued)

In addition to its own initiatives, KFC is helping to spearhead the current effort by the National Council of Chain Restaurants, the Food Marketing Institute, and the major supplier trade associations, to develop industry-wide, comprehensive guidelines for the humane treatment of beef, pork and poultry on farms. Our expectation is that these industry-wide guidelines will be completed in February.

“We also believe it is important to develop farm-level welfare guidelines that are consistent across the industry. We will continue to work with our welfare council as well as through the NCCR and FMI process to accomplish this goal,” said Dr. Plichta.

“KFC has been instrumental in helping initiate and lead the process we are now engaged in to develop comprehensive, industry-wide guidelines for farm animals” said Terrie Dort, President of the National, Council of Chain Restaurants.

KFC’s Animal Welfare Council is comprised of: Dr. Temple Grandin, Colorado State University; Dr. Joy Mench, Director of the Center for Animal Welfare, University of California (Davis); Dr. Ian Duncan, Dept. of Animal & Poultry Science, University of Guelph, Ontario; Adele Douglass, Executive Director, Farm Animal Services, American Humane Association; Dr. Bruce Webster, The University of Georgia; Dr. Ellis Brunton, Senior Vice President of Science & Regulatory Affairs, Tyson Foods and Jim Ayers, Director of Research & Quality Assurance, Goldkist, Inc.

KFC Corporation, based in Louisville, Ky., is the world’s most popular chicken restaurant chain specializing in Original Recipe®, Extra Crispy™, Colonel’s Crispy Strips® chicken and Popcorn Chicken with home-style sides and freshly made chicken sandwiches. Since its founding by Colonel Harland Sanders in 1952, KFC has been serving customers delicious, already-prepared complete family meals at affordable prices. There are over 11,000 KFC outlets in more than 80 countries and territories around the world serving some 8 million customers each day. KFC Corporation is a subsidiary of Yum! Brands, Inc., Louisville, Ky.

Source: KFC News Release, January 7, 2003. Accessed on KFC Web site, September 15, 2003.

Exhibit 6

BLUM'S FAX TO FRIEDRICH



August 20, 2003

VIA FAX: 757-622-0457

Mr. Bruce Friedrich
Director of Vegan Outreach
Peta
501 Front Street
Norfolk, VA 23510

Dear Mr. Friedrich,

Thank you for your letter to David Novak, which was referred to me as I oversee our company's animal welfare initiative.

In light of the fact that Peta has initiated litigation against us, we do not believe further meetings would be productive. As you know, we have had a number of meetings, conversations and written correspondence with your organization in the past and listened carefully to your concerns.

Yum! Brands is the owner of restaurants and does not own, raise or transport animals. Nonetheless, we are implementing animal welfare guiding principles that we believe are comprehensive at both the processing and farm levels. We are also monitoring our suppliers on an ongoing basis to determine whether they are using humane procedures for handling the animals they provide to us. In fact, to further demonstrate our ongoing commitment to animal welfare, we have recently appointed Dr. Al Baroudi as Chief Officer of Scientific, Health and Regulatory Affairs. Dr. Baroudi and others from our company recently spent nearly three days with Dr. Temple Grandin training our auditors on farm level guidelines, augmenting their prior training on supplier processing guidelines.

We will continue to review our progress in this area. Thank you again for your interest in this matter.

Sincerely,

Jonathan D. Blum

Jonathan D. Blum
Senior Vice President, Public Affairs

Yum! Brands, Inc.
1441 Gardiner Lane
Louisville, KY 40213
Tel 502 874 8825
Fax 502 874 8315

