



GOOD TO GO

NICK HINDLE, VP COMMUNICATIONS, MCDONALD'S TALKS TO MILORAD AJDER, MANAGING DIRECTOR OF THE REPUTATION CENTRE, ABOUT TRUST AND THE BOTTOM LINE, TURNING FRANCHISEES INTO AMBASSADORS, AND HIS NEXT BIG REPUTATION CHALLENGES.

Everyone seems to have an opinion on McDonald's – what do you think is the basis of your reputation, in the eyes of stakeholders?

We're a brand that's issues-rich and we're a controversial brand. We're loved for the products that we provide, the experience that we give to our customers. But there's a lot of emotion around the brand in other areas as well – we definitely get both sides of it. So the way that customers feel about you gets influenced by what's said about you in the public domain, what their friends say to them when they're out, what they read about in the newspapers, what they hear about from the mouths of politicians and opinion formers. And it affects them – if there is a negative perception around the brand then the customer picks up on that and over time it influences their behaviour.

A huge number of people come to McDonald's – in this country something like eight out of ten families in Britain will visit McDonald's at some point during the year. But there are also a lot of people that don't come in and they're not going to come in. There are only very few swing voters when it comes to the McDonald's brand! So our business is driven predominantly by talking to our existing customers.

How do you see your role within McDonald's?

I think communications has to make a contribution to overall business strategy. Our job is to enable the delivery of that strategy by shining a light on, and enabling the delivery of, the key things that are going to drive your business forward. That's our job – we are there to help things happen. So we clear the way, we bring the right people in, we get people to think about something differently – that's our expertise.

When you break the McDonald's brand down it's about running great restaurants and doing great marketing. I think the brand is more important than it's ever been because the world is more open and it's more scrutinised than it has ever been. What we've got now is a joined-up world that expects to be able to ask questions and get answers. Internet search is one of the most liberating things there has been – and the internet never forgets! So you've got this access to data, and therefore the corporate entity is more accessible than it's ever been, and the corporate brand is better known than it's ever been. And actually I think brand will play a more defining role in the long-term value of that organisation than it ever has before because if you don't manage your corporate brand effectively, I think your business is going to suffer more.

Is the concept of reputation at the forefront of your thinking?

Yeah, I would say it is. It's a term that we probably use more as a communications department. When we talk within the business, we normally talk about trust these days. We talk about the concept of trust amongst all of our stakeholder groups. It's something that we measure, it's something that we do our best to understand, it's something that we have actually correlated with the bottom line of our business. And it's something that McDonald's pays attention to right around the world in every market where we operate.

How does your leadership team engage with reputation management?

Reputation management in McDonald's is the responsibility of the Chief Executive – globally and in the UK, we've benefited from that. Steve Easterbrook, our UK Chief Executive, has grasped this – he's championed it and I know he firmly believes in this. That's why we've been successful in the last few years at making progress – it is because the Chief Exec and Board have made it a priority, have taken ownership, have shown an ongoing interest and have committed time to it. There's a lot of brand understanding within management, so therefore we've got a huge head start.

How do you measure the value of reputation at McDonald's?

We've undertaken a number of studies on the return on our marketing investment, how effective the money that we are spending is. And those studies identified the negative impact of the publicity we were getting. We had got to a stage where we were under a severe amount of pressure – our reputation had dropped considerably, trust in the brand had dropped. If you read any reputation index, all indicators of reputation and trust, McDonald's was a brand that normally was at the wrong end of the table. The relentless negativity around the brand, particularly from about 2002 to 2005/6, was affecting our customers and making them come less often.

We're great believers in insight and measurement. We obviously monitor all the media coverage around us and we evaluate that in terms of impact and favourability – we had a pretty good bank of data on our media coverage. We're also very good at understanding where our sales come from – we're very good at stripping out seasonality, weather, trading day impacts, all those various things. So we were able to identify a negative impact from the media coverage on our marketing. They quantified it – 'the negative publicity surrounding

your brand is costing you £x million in sales'.

We've done return on marketing spend analysis every year since, and we've been able to track the impact that we've been making in turning around the publicity. And we also measure trust – we've been able to correlate our trust measures against our customer footfall. So we've been able to correlate buzz, negativity or positivity around the brand to sales, and correlate our trust metric to our footfall. That's been pretty impactful work.

And what have been the benefits of quantifying reputation in that way?

Being able to drill down to that is great because it gets management on the same page, not only in this country but around the world. It enables you to prioritise addressing reputation – it quantifies it, it gives you something to go after and it allows you to track and move towards it.

And I'm not saying that the sales figure that was put on reputation is exact – but in a way it didn't actually matter. It was the fact that it was quantified, it was done through science, not through art. Once it was identified, it made a huge amount of sense with all the other data that we had in the business.

How do you identify the priority reputational issues for McDonalds to focus on?

When you use analysis and insight to be clear about where you can most influence your reputation, that's where you can build effective programmes. For us it's about food, it's about environment, it's about employer reputation, and it's about community relations. Those are the four areas, and they've not changed since I started in the business seven years ago.

That's great, but what it does mean is that you have to be both disciplined to stay on message and you have to inject creativity to keep refreshing your story. It's very easy to move off message over time because you get bored with it. I don't think our areas of reputational challenge will change in terms of the core of our business. I think the reputational challenge will change for us in terms of: where are we most exposed to risk? And the other side of that coin is: where does most opportunity lie to build reputation?

So what are the future reputational challenges and opportunities facing McDonald's?

I actually think for a major employer like us, and a service-based business, one of the big reputational challenge areas for us is going to be internal communications and our own people. We benefit from having a substantial workforce – 72,000 people in this country who've got multiple connections within their own communities, who are a live part of our brand, and who will influence people's views about our brand positively and negatively.

You can benefit from that individual employee feeling good about the brand, feeling motivated and positive – they're going to work harder, they're going to deliver better service, and so on. But apart from that, it's also

about: who are people going to believe most? When it comes down to it, in an individual conversation or a media interview that they hear, the employee has huge, huge, huge credibility – particularly the employee that is distant from the management. So the shop floor or the front line employee has got a massive amount of credibility out there to the public and to your other stakeholders.

The flipside of that is I've got people that can take pictures on their mobile phones when they're mucking about and upload them to YouTube! I've got people that can blog, I've got people that can just talk to people within their communities about their real personal experience of McDonald's – I've got a huge number of points to control on that!

And how do you think organisations can best respond to this challenge of employee engagement?

You've got to pay attention to questions like: how do you make sure that you put your workforce in the best possible place and mindset to manage your reputation for you? What we need to do is to be really clear about: what are the key messages that we want to get across to our people? And how do we manage our organisation and our people in a way that makes them positively disposed towards the brand? So it's a combination of message and values.

In communications, we have a long history of partnership with a lot of internal functions – the Chief Exec and communications, marketing and communications, investor relations and communications – there's a long history of partnership there. I think the new partnership is going to be communications and HR.

McDonald's is of course a huge global company. Are you very integrated in your brand communications?

For a global brand we're a very decentralised business, which is interesting. We have a single brand, we have a reputation for providing a consistent menu and a consistent level of service, and doing things the same, and looking and feeling the same. But in reality, the way the business is built is from the restaurant back. So in the UK there are 1,200 restaurants, there are 160 odd franchisees plus the companies, so we've got close to 200 Managing Directors, a local supply chain, and a crew with employees that are part time and employees that are full time. And so your local McDonald's experience is very defined by the franchisee that runs it, there will be differences on the menu, there will be differences to the way that it does business, the supply chain will be local – all that's defined by the country.

And does that make your job easier or more difficult?

I would say that it creates a fantastic check and balance. It makes us find ways to manage reputation that are really effective. We've known for some time that we might own the brand, but we don't control it because we're a franchised business. So therefore our start point is to operate in partnership with our franchisees to deliver on the brand promise.

To manage the brand within McDonald's you have to create vision, you have to create accountability and you have to deliver a framework to operate within – but you also have to allow freedom within that framework, otherwise you'll end up restricting the brand to its minimums, you won't end up encouraging the brand to deliver its maximums. We have this philosophy called freedom within a framework, and I think it makes us very successful brand managers and reputation managers, actually. I don't mean successful in terms of we've

got the best reputation of any global brand, because everyone knows we haven't! I mean successful in that we have a proven way of working together that means that communicators around the world, marketers around the world, respect the impact that we have on the brand outside of our immediate sphere of influence.

So what do you think are the most important things companies need to get right to make their communications resonate locally?

If you look at a global brand that's about uniformity and about control, that's probably not as motivating a place to be as a brand that's about maximising the potential in a street or a town or a country.

We actively use our franchisees in our reputation management programmes. I've got a relatively small department, but by working with our franchisees I've turned that press office from 3 people to 93 people because I've got 90 franchisees all signed up to something called our Brand Ambassador programme. They go through training and then they get supported to localise national programmes and develop their own local campaigns to manage the reputation of the brand in their community. And that means engaging with their local stakeholders, it means delivering media coverage, it means developing and nurturing relationships to mutual benefit within that community.

The other thing that we benefit from is that the McDonald's franchisees sign up to each restaurant for 20 years. So when they take ownership of their restaurants, they stay in that community for the long term. You've got this wonderful combination of the world's biggest restaurant chain and lots of small restaurant chain operators – it's a great combination if you can understand how to leverage it. And that's what we've been figuring out for the last however long – my team, the people that ran it before, and the people that ran it before that!