**McDonald’s**

**Happy meal**
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**How a Frenchman is reviving McDonald’s in Europe**

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WHEN Denis Hennequin took over as the European boss of McDonald’s in January 2004, the world’s biggest restaurant chain was showing signs of recovery in America and Australia, but sales in Europe were sluggish or declining. One exception was France, where Mr Hennequin had done a sterling job as head of the group’s French subsidiary to sell more Big Macs to his compatriots. His task was to replicate this success in all 41 of the European countries where anti-globalisers’ favourite enemy operates.

So far Mr Hennequin is doing well. Last year European sales increased by 5.8% and the number of customers by 3.4%, the best annual results in nearly 15 years. Europe accounted for 36% of the group’s profits and for 28% of its sales. December was an especially good month as customers took to seasonal menu offerings in France and Britain, and to a promotion in Germany based on the game of Monopoly.

Mr Hennequin’s recipe for revival is to be more open about his company’s operations, to be “locally relevant”, and to improve the experience of visiting his 6,400 restaurants. McDonald’s is blamed for making people fat, exploiting workers, treating animals cruelly, polluting the environment and simply for being American. Mr Hennequin says he wants to engage in a dialogue with the public to address these concerns.

He introduced “open door” visitor days in each country which became hugely popular. In Poland alone some 50,000 visitors came to McDonald’s through the visitors’ programme last year. The Nutrition Information Initiative, launched last year, put detailed labels on McDonald’s packaging with data on calories, protein, fat, carbohydrates and salt content. The details are also printed on tray-liners.

Mr Hennequin also wants people to know that “McJobs”, the low-paid menial jobs at McDonald's restaurants, are much better than people think. But some of his efforts have backfired: last year he sparked a controversy with the introduction of a “McPassport” that allows McDonald’s employees to work anywhere in the European Union. Politicians accused the firm of a ploy to make cheap labour from eastern Europe more easily available to McDonald’s managers across the continent.

To stay in touch with local needs and preferences, McDonald’s employs local bosses as much as possible. A Russian is running McDonald’s in Russia, though a Serb is in charge of Germany. The group buys mainly from local suppliers. Four-fifths of its supplies in France come from local farmers, for example. (Some of the French farmers who campaigned against the company in the late 1990s subsequently discovered that it was, in fact, buying their produce.) And it hires celebrities such as Heidi Klum, a German model, as local brand ambassadors.

In his previous job Mr Hennequin established a “design studio” in France to spruce up his company’s drab restaurants and adapt the interior to local tastes. The studio is now masterminding improvements everywhere in Europe. He also set up a “food studio”, where cooks devise new recipes in response to local trends.

Given France’s reputation as the most anti-American country in Europe, it seems odd that McDonald’s revival in Europe is being led by a Frenchman, using ideas cooked up in the French market. But France is in fact the company’s most profitable market after America. The market where McDonald’s is weakest in Europe is not France, but Britain.

“Fixing Britain should be his priority,” says David Palmer, a restaurant analyst at UBS. Almost two-thirds of the 1,214 McDonald’s restaurants in Britain are company-owned, compared with 40% in Europe and 15% in America. The company suffers from the volatility of sales at its own restaurants, but can rely on steady income from franchisees. So it should sell as many underperforming outlets as possible, says Mr Palmer.
Mark Wiltamuth, an analyst at Morgan Stanley, estimates that European company-owned restaurants' margins will increase slightly to 16.4% in 2007. This is still less than in the late 1990s and below America's 18-19% today. But it is much better than before Mr Hennequin's reign. He is already being tipped as the first European candidate for the group's top job in Illinois. Nobody would call that a McJob.