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A Discussion with Dunkin' Brands' Nigel Travis



Nigel Travis

Boyden's *Leadership Series* presents discussions with business and thought leaders from organizations across the globe. The series focuses on topical issues that offer executives, political leaders and the media insight into current trends in business and talent management in the global marketplace.

This issue features Nigel Travis, Non-Executive Chairman of Dunkin' Brands. Travis discusses Dunkin' Brands' brand evolution, the importance of creating a "challenge culture," dramatic changes in the food & beverage sector, what went right and wrong at Blockbuster and Papa John's, the importance of a diverse board and management team, and why soft skills are critical.

Travis was appointed Non-Executive Chairman of the Board of Dunkin' Brands in December 2018. He previously served as Chief Executive Officer of Dunkin' Brands, from January 2009 to July 2018, with added responsibility as Chairman of the Board in May 2013.

From 2005 through 2008, Travis served as President and CEO of Papa John's, at that time a pizza chain with annual system-wide sales of \$2.1 billion and more than 3,300 restaurants throughout the U.S. and 29 international markets. Under his leadership, Papa John's accomplished outstanding results, with industry-leading comp sales, consistent earnings growth and excellent franchise relationships. Also during his tenure, Papa John's online sales tripled through the innovative use of technology. Travis also helped position the company's international business as a major growth platform and oversaw the successful rollout of several new products, including Papa's Pan Pizza.

Prior to Papa John's, Travis was with Blockbuster, Inc. from 1994 to 2004, where he served in roles of increasing responsibility, including President and Chief Operating Officer. During that time, global sales increased over 50% and the international business was developed to encompass 26 countries with revenues of \$1.8 billion. Travis also built a worldwide franchise network of 300 franchisees in 15 countries with revenues of approximately \$1 billion.

He transitioned the company from a video rental store chain to a complete movie and game source.

Before Blockbuster, Travis was with Burger King, first as Senior Vice President of Human Resources and later Managing Director for Europe, the Middle East and Africa. As Managing Director, he turned the region around, significantly increasing sales and operating profits. He dramatically increased the rate of regional store development, and successfully drove expansion into new countries and alternative points of distribution.

Travis received a bachelor's degree in business administration from Middlesex University in England. He previously served as Lead Director on the Board of Directors for Office Depot, where he currently serves as a board member. Other public boards on which he serves include Advance Auto Parts and Abercrombie & Fitch. Travis also serves as Chairman of Leyton Orient Football Club, leading a business consortium to take on ownership of the storied English football club in June 2017.

He is the author of the book *The Challenge Culture: Why the Most Successful Organizations Run on Pushback*, published in September 2018.

Travis was interviewed by Gary Dempsey, a Partner of Boyden United States.

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Dempsey: Dunkin' has been very successful in evolving the brand and its market positioning. What do you attribute the success to?

Travis: Dunkin' was a regional chain for a long time. I have to give some credit to my predecessor, who tried to take it from the Northeast, out. He tried many different things, most of which were embryonic when I got here. The key is taking a few risks. And two focus points are to keep doing your consumer research and find out what the customer thinks.

One of the great developments in recent years is that businesses like ours have gotten more and more data on the consumer. Up until recent times, the quick service restaurant industry didn't know anything about whether it was you or who came into the store. It's given us the ability to get more data and analyze more about consumer preferences. But in a business like ours, it's the franchisees who are close to the customers. We get a lot of feedback from them – what works, what doesn't work. As I say repeatedly in my book, a franchise business is your ultimate challenge culture. I think that's really helped us stay on track.

Dempsey: In the brand evolution, did you take some chances and what areas did you anticipate as potentially problematic?

Travis: Before I came on the board, one of the things that was interesting to me was that the company moved to test sandwiches. At the time, the franchisees pushed back heavily, didn't think the investment was going to be worth it. It's been a huge success. It's enabled us to compete very nicely with McDonald's, and Dunkin' has become a true breakfast sandwich destination. One of my favorite phrases in life is to say, "If you're batting 60% you're doing very well." In baseball, you're doing very well at 30%. I think sometimes people aim for perfection all the time. But sometimes you just have to take measured risks. Sometimes they break through.

Dempsey: Was there hesitation to expand in newer markets such as California?

Travis: In 2009, when I first came to the company and we did the IPO two years later, I remember saying, "We're not going to go to California anytime soon." When we did go, we planned and put a lot of effort behind it. We started to seed products on the West Coast like K-cups, bagged coffee through our

CPG strategy, and other ways to make people aware of the product profile of Dunkin'. In 2012, we also launched a national media campaign. In California, you were getting the same national media as you got in Massachusetts, all designed to feed the brand for when it finally arrived.

Dempsey: How much of your Dunkin' rebrand was taken from the playbook in your book on the 'challenge culture'?

Travis: Not too much. But, there are a couple of things that come to mind from all the years I've served in CEO roles. I don't think people revisit what they're doing often enough. One of my favorite exercises when I was a CEO was to ask, "OK guys. We're all out. We've been taken over by private equity. What would they do?"

Another exercise is, "Let's look at all of our processes and think about the processes we've put in place. It could be in marketing, store development, IT, whatever, and let's revisit them." You must constantly have "dissatisfaction with the status quo." We knew in about 2014-2015 that the consumer was changing and there was a lot of new competition in the coffee space. So, we went out and did a lot of research. The evolution of the brand came out of that.

But to be fair, it was really Dave Hoffmann, when he came on board and was running Dunkin' U.S. He took it to the next level. David took the research and gave it an execution that has evolved into our next-generation store, the rebranding of the name, etc. And the whole of it, obviously, is to keep Dunkin' up-to-date. After all, we've been a business for over 70 years. It's that constant feeling of, "We have to improve, change and keep up-to-date." You could say that's the challenge culture. But I think all good business leaders should be constantly reevaluating what they've done, even if they've done it themselves.

Dempsey: In your book, you say you didn't create enough of a 'challenge culture' at Blockbuster. Was it a case of not having all the experience to push for it or were there other concerns?

Travis: I think Blockbuster is a fascinating example. If you go back to 1993-1994, we were ahead of the game, because we did a joint venture with IBM called New Leaf. We were copying games, music and videos in stores. The net result was the music industry pushed back and said, "We don't want you doing that." That

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created a vacuum that resulted in Napster's creation and the resulting revolution. When we looked back, we got somewhat distracted by the conversion from VHS tapes to DVDs, which was a big exercise. It's a bit like going from paper to digital. Then, in 2002 in particular, we saw Netflix on the West Coast, and kind of concluded it would do well there and other areas with very high tech and internet penetration. Of course now all everyone talks about is Netflix. Probably the move we missed, more than Netflix, was Redbox, which is the vending machines. There are still 43,000 Redbox machines in the U.S.

So, we missed Netflix on one side. We missed Redbox on the other. But with Netflix, we recovered and built Blockbuster Online in the summer of 2004. I left at the end of 2004, and activist investor Carl Icahn joined Blockbuster's board that same year. This was still a little bit of a throwback to the early parts of that decade when everyone focused more on retail, rather than the Internet. He focused on buying Hollywood Video and Circuit City. As I said in a speech the other day, "You put three duds together, and you come out with a dud." The net result was Blockbuster was out of business.

Could we have done a better job? I think so. We had to take all these competitors seriously, but in our defense, at Blockbuster, you woke up every day feeling like something new was going to attack you. This included limited-play DVD and the growth of satellite TV, which is now already going through its own decline. You have to think back to those times. They were all new, revolutionary and disrupting the video rental business.

The lesson is, you have to constantly imagine what could kill you. A phrase that people really like in my book, and I've heard this time and time again is, "Imagine your own demise. What will put you out of business?" I think we could have been much more robust in imagining that Redbox or vending machines as well as Netflix could put us out of business.

Dempsey: Where can a challenge culture go too far? Is it a matter of being willing to get fired?

Travis: The one regret I have about the book I wrote is that I probably didn't make this next point clear enough: There's two words, "challenge culture." The more important word is "culture." We live in a time when there's a labor shortage. It is not only senior jobs. It's also tech jobs.

But when you evolved in retail as I have, with several boards now, it's obvious right down at the level of people who work the counters of retail stores. There's a real-life shortage.

In this part of the world (New England), we've got 4% unemployment. So, culture is very important. You have to build a strong culture, which is one that's very people-oriented, very strong on communication, and very good at listening. In terms of challenge culture, it could easily go too far and become disruptive. It can become uncivil. In other words, I think challenge has to be done in a positive way and shouldn't be coercive. People can get too aggressive.

An effective challenge culture makes you think about how to improve and makes you come up with better business solutions. But you shouldn't be challenging every minute of every day. A guideline I've given in response to some questions is, if you're challenging more than 10% of your time, you've gone too far.

Dempsey: What key trends are you seeing in the food and beverage industry?

Travis: The food and beverage industry is changing dramatically. I think if you go back, historically most consumers were very reluctant to take on, let's say "good-for-you" food. At Dunkin' that has always been a very small part of our menu. No matter how hard we pushed it, it didn't seem to work. But now we are seeing a change. It's always fascinating to me, because I've gone around the world. If you go to India, they say they're the obesity capital of the world. You go to the UK, they say they're the obesity capital of the world, and the U.S. similarly. I think people are paying more attention to it. A major part of tackling this is menu labeling.

One thing that I'm really proud of is that Dunkin', over the last six or seven years, took a very strong leading role in making sure that menu labeling went through Congress and was approved, then implemented last year. I think just having the calories on the menu board makes people think about what they're eating. In some of the other trends that I see, clearly coffee is on a really strong upswing. All kinds of different coffees, from cold brew to nitro, is very big. I think it is increasingly the case that, in terms of the food people are eating, there are so many doctors, including my own, pushing plant-based food. The whole natural trend is important.

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Dempsey: What about other trends including digital?

Travis: If I go back to Blockbuster, if you rented a video, we knew who you were because you were taking one of our assets, so we had to know who you were. If you go to Papa John's, we delivered to your house, so we knew who you were. But when I came back into the quick service restaurant industry, at Dunkin' and with Burger King, we often don't know whether it's you, Gary, or who is buying the products. But with our perks program we're gaining information on our customers when they opt in.

Taking another example, my football club, where we've really focused on culture, we've employed a lot of the same techniques. Even though we're in, effectively, the fifth tier of English soccer, our attendances are over 2,000 higher than when we were two leagues higher. I think a major reason is that we've had very advanced data marketing, to get people to come back and to encourage people to come and try it for the first time.

In terms of priorities, delivery is the single biggest thing that has hit the restaurant industry in the last 50 years, and it will ultimately be bigger than drive-through. I say that having read about it. At Dunkin', of all the new stores we put out there, 85% have a drive-through, because on average in each store that has a drive-through, 70% of people go through the drive-through.

The consumer wants two things: choice and convenience. Convenience, particularly where we live in an era where a lot of households have two working parents, people really want their food prepared and delivered in a way that is highly convenient. Sometimes that means going to a restaurant.

Dempsey: Papa John's has gone through a difficult time in terms of its leadership and some PR situations. You've called Founder John Schnatter a brilliant entrepreneur. Did they get off track on what made them such a positive standout earlier?

Travis: This is a brilliant on-site case. John created a fantastic company. And today, I still think that of the chain pizza companies, it's easily the best pizza. He put a lot of investment into creating that, and did a lot of testing. A few things didn't work, but he was very positive about making sure that the products were phenomenal. John built a great company and took it public. But like many entrepreneurs, he found

it very difficult to hand it over to other people. The other thing I would say is that I didn't actually work for John directly. I was the CEO, reporting to the board. Subsequent CEOs have reported to John and I don't think they were allowed to embrace the benefits of the challenge culture, which I describe as challenging everything and pushing back on things. The power pushback is very important. It's to encourage people and release people to do it. John didn't really like that. It was his way or the highway. It's been very sad.

Dempsey: Looking back, what were your most important lessons early on in your career?

Travis: The first thing I would say is, it goes back to my football or soccer experience. I've been coaching for 50 years, starting when I was about 18. One of the things I learned, and you [Boyden's Dempsey] will relate to this, when you've got a soccer team, and it's the same in any sport, "Hey, Gary. You're playing this week. You're playing left back." At the end of the week, you didn't do so well. So, I have to sit down with you and say, "Gary, you didn't play very well. I'm going to bring in 'Tony' this week." And you're obviously not happy, but you have to explain it to people. So, the power of being able to relate to people through direct communication is something I learned very early. I was fortunate, because I went into HR, so I saw the benefit or sometimes the downside of not doing it.

The second thing is that I have seen a lot of people who plan their career, and they get so frustrated when they don't hit the next milestone. There's a lot of MBAs out there who do that. By the age of 30, I need to have done this. By the age of 40, I need to be a CEO. By the age of 50, I need to be a Fortune 500 CEO, etc. Life's not like that. I've been fortunate. I've had lots of opportunities, but I tended not to plan my career, though I plan everything else. In terms of your career, you get rewarded, because there are so few good people out there, if you're really successful. So, focus on being successful in what you're doing, rather than keep planning the next career step. It also builds up a lot of frustration if you do.

The third thing I would say is that one of my favorite words is "balance." I've always tried to balance work, personal life, and my interests. This includes diversity of interests. For example, a while back I ran coffee chats with women at Dunkin'. But probably the biggest thing is the ability to take risks. I'm shocked

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how many people think they can make progress by not trying different positions, different functions, or different geographies including international roles.

Dempsey: There's a continual push for more diverse boards, including women. Dunkin' has more than the average U.S. company, with 20% women directors and a diverse board. What is your view on how companies can become more diverse, including in the boardroom?

Travis: The key question is why would boards benefit from more diversity? The answer is, you come up with better business solutions. I think what tends to happen is, we need this number of women or this number of minorities. That's not the answer. What makes the board better? You have to have a fundamental belief that diversity can help in business solutions and business decisions. Diversity tends, in this country, to be defined by legal definitions. But diversity can be defined very differently. I am diverse in most American companies because I come from the UK. But I don't qualify as a minority. I think having women on the board, particular for consumer-based products, is very important, particularly in apparel. I just joined the board of Abercrombie & Fitch, and that's a company with four women on the board.

Here's another thought. How many boards are bold enough to put someone aged 35 on the board? One of the things that's been fascinating to me is that lately in our football club, we have three people in their 30s on the board, two in their 60s and one in their 50s. The 30s are fantastic. They make us think differently and challenge the thinking. I truly believe most companies would benefit from having a younger person who represents a newer approach. I'm fortunate, in all the work I've done. I'm 69 now, but I've got a 14 and a 12-year-old. That is fantastic because it makes you think in a modern way. I'm a true believer in diversity, but let's not just stick to the legal definitions.

Dempsey: What's your view on executives aspiring to get on a board? Should managers wait until later in their careers?

Travis: If you're at a moderately senior level, to really get to the top level, you need to gain board experience. In my case, I didn't know that, but I was lucky. In 1996, I got a phone call out of the blue, when I was at Blockbuster UK. "Would you go on this board?" I said "What do you want me to do?" Because I didn't really understand it.

"There's a company that's going public in the UK, called Limelight." I joined their board and I've been on public boards for the last 23 years. When you're on a board you see what happens when people are in trouble, when people are cocky, when their strategy is right or wrong, and when there are bad leadership decisions. There is nothing like it, because you're getting constant case studies thrown at you, in a live situation. You're in the middle of it all, without actually having to do it. It doesn't have to be public boards. It could be the local church, a volunteer association or a local political group. Boards are very important in terms of development.

Dempsey: On your executive teams, what has been your overall hiring approach?

Travis: I've always tried to hire people who challenge me. In America particularly, there is a strong aversion to bringing in people who you think could take your job. You should be hiring people who are as smart as you can find and who really challenge you for the job. Then the job you have is managing these really smart people. At Dunkin', the teams we had starting in 2011-2012 were phenomenal. They had great experience and they challenged me. The board even said that several times. We argued together, but we worked it out. I truly don't think people set the highest standards. That's the first thing.

The second thing is that you've got to have some balance on the board. Some of that is diversity. Some of it may even include people who are quiet. Often people just try and recruit the same old people who are often energetic, action-oriented, like themselves. I've also tried to refresh the team regularly. Too often, teams stay in place for too long and don't get refreshed with new ideas.

Dempsey: Is the idea of refreshing an implication of moving people on after three years, or into different roles?

Travis: No, not at all. I've had people stay with me five or six years. If you build the right culture, people will like it and they probably won't want to move on. I've had very little turnover, as such. But if you stay somewhere for 10 years, you're going to have turnover. It's probably good for the people who leave, because they go off to new challenges. Then you bring new people in to keep pushing the rest.

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Dempsey: At Boyden, we're increasingly seeing a greater emphasis from clients on candidates with "soft skills." How does that play into your choice of senior executives?

Travis: I'm clearly biased, because I've got the HR background, but it's so important. In a speech I gave to 3,000 people in September at a Dunkin' convention, I said one of the things I've learned from running a football club is that in a football club, you spend 90% of your time talking about people. You realize what coaching really means.

Do executives or managers ever see how they act or have videos played of themselves? Do they ever get the analysis that you do at a football club? I think given the skills shortage and the labor shortage, soft skills play a greater role than they ever have before. I bet most managers are lucky if they spend 40% of their time on people. It doesn't mean you have to sit down with people all the time, but people are your greatest asset. These days, I think it's even truer and soft skills are incredibly important.

Dempsey: What is the single most important quality you look for in your direct reports?

Travis: Passion. Passion, to me, is much more important than the skills. Passion is about wanting to get up every day and improve the business. It's wanting to sort the problems. It's about wanting to communicate to the world what the business is about. It's about wanting to give a vision for the future. I've probably made passion sound bigger than it is, but if you're not passionate, you shouldn't be doing it.

The views and opinions expressed here do not necessarily represent the views of Boyden, only those of Mr. Travis.

*For further insight into management trends in the food & beverage sector and related shifts in talent development, see the latest edition of *The Boyden View*.*