

# Modernizing technology in the service of the customer

At McDonald's, the building blocks in a modern technology platform are personalization, strategic acquisitions, and agile operations.



**To successfully digitize** their iconic brand, executives at McDonald's have focused on ensuring that technology serves their customers. Daniel Henry, executive vice president and chief information officer at McDonald's, discusses with McKinsey senior partner Naufal Khan how that focus has helped drive technology decisions that nourish a product-driven culture within a long-established global organization.

*Editor's note: This interview was recorded prior to the COVID-19 pandemic and has been updated before publication with an additional question reflecting McDonald's response to the crisis*

## Personalizing the digital customer experience

**Naufal Khan:** Over the past couple of years, McDonald's has made some headline-grabbing moves on innovating its customer and employee experiences, including, for example, digitizing tens of thousands of restaurants. In your view, which two or three moves have had the greatest impact?

**Daniel Henry:** We've been relentless in building an engaging product experience. It starts with our global mobile app, because that technology is so important in creating engagement between the customer and McDonald's. Mobile is how people engage now in every part of their lives, and there's no reason why they would expect it to be any different with McDonald's.

When you go to the drive-thru—which is a channel we've invested in heavily—we now have the ability to personalize the menu through our outdoor digital menu boards. The opportunities to personalize are powerful. How do we give the customer trending items? How do we merchandise to them in a targeted way? So it's not only the digital menu boards, but everything they open up.

## Being a product-obsessed organization

**Naufal Khan:** You have talked about the need to be a “product-obsessed” technology organization. What does that mean to you? How does it manifest at McDonald's?

**Daniel Henry:** When you're a product-obsessed organization, you think about the consumer before the technology. Technology by itself means nothing. When you look at a solution through the lens of a consumer, it makes you look at the features you're trying to deliver differently, and it makes you look at outcomes differently.

We're striving to be a start-up in a very large company. If you're not careful, you can become big and slow. Our objective is to be big and fast, a combination we think will create an unstoppable force. So we've been embracing agile, and together with our product-centric focus, we're seeing features roll out much faster. We're seeing much higher quality. And we're seeing customers reward us, because if we offer a technology solution that doesn't work for them, we can quickly pivot.

## Making impactful acquisitions

**Naufal Khan:** You've announced multiple partnerships and acquisitions over the past year to accelerate your growth through technology. What do you typically look for when you're looking at acquisitions and partnerships? And what are some of the most exciting things about the recent ones?

**Daniel Henry:** We've been very active in the acquisition space. The first thing we take into consideration is top-notch talent. Smart people love working with smart people. So when you acquire companies like Dynamic Yield or

Apprentice, not only is their technology cutting edge, the people responsible for it are also incredible.

Whenever we consider acquiring technology, we always ask ourselves if it will have a major impact on the business, if it will help us personalize and improve the restaurant and customer experience, and if it will increase complexity. We also look for quick results. Take our acquisition of Dynamic Yield, for example. Two weeks after we closed the deal, we were in almost 700 US restaurant drive-thrus with that technology. By the end of 2019, we were already in most restaurants in the United States and Australia. So that acquisition produced a quick return, and it didn't add complexity to our technology stack.

Finally, because McDonald's has a strong culture of innovation, we want to make sure our acquisitions advance that innovation to help grow our business.

## Building a modern technology platform

**Naufal Khan:** Much of the focus in the press, of course, is on what the customers see: kiosks, mobile app, personalization. How has the technology organization started to work differently in order to enable some of these innovations?

**Daniel Henry:** When you look at McDonald's technology organization, we began by updating the architecture that we're putting in place. Scale is a major advantage for us, and we want to make certain our technology continues to enable that advantage. So we've been careful not to build too much complexity into our technology and to ensure that our modernized architecture provides a scalable solution. We've also been laser focused on reliability, which is where we're bringing in concepts such as DevOps upstream into the design of our solutions. If you don't have a secure and reliable platform, it's very hard to deliver the value that people expect and move at the pace that our business demands. So when you

combine reliability, scalability, and the agile nature of the way we're working—smaller, more frequent releases—that's a combination we aspire to in order to produce the desired results.

## Making data a competitive advantage

**Naufal Khan:** We have talked a lot about leveraging data in new ways. Many organizations are challenged by this. How are you making data part of your colleagues' everyday decision making?

**Daniel Henry:** At McDonald's, we view data as a strategic asset to the company. In fact, it's so important to us that when someone starts at McDonald's, we give them a data map during their orientation to teach them how to access our data and whom to call for help. We start by telling people where to find and how to understand the data, because we want it to be part of everything we do.

So we've set up a service called Data Bistro. It's a set of self-service tools, training, and a support desk that allows business users to easily access data support. We want to give people the power of data in their hands, because when you have that, it becomes a valuable asset.

That said, I can't stress enough how important data security is to us, especially customer data. We're paying very close attention to the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA), because protecting data and ensuring consumer privacy are paramount to us.

## The evolving role of the CIO

**Naufal Khan:** You have worked as a technology leader across sectors. What shifts have you seen in the role of the CIO and the technology function? What matters now, in your view, for an effective technology leader?

**Daniel Henry:** The role of the CIO has changed quite a bit. It's not just about technology. It's no longer just hitting projects on budget. It's not just about reliability. It's about producing outcomes that are meaningful for the business.

I think McDonald's has done a fantastic job of making technology a partner with the business. You're not just an order taker. You're driving the business, just like any other business unit, because technology is part of our growth. When you recognize that you have a valuable seat at the table, then you also recognize that your responsibility is beyond just technology. It's about partnership with the different business units, making sure that you're growing the business, and seeing things through a customer lens to make sure that happens.

## Responding to the COVID-19 crisis

**Naufal Khan:** The world is going through a difficult time with the COVID-19 pandemic. What has been your experience as a CIO in leading through the COVID-19 crisis?

**Daniel Henry:** First and foremost, we need to take care of people—our customers, our employees, our franchise owner-operators, and our partners—making sure that everyone and their loved ones are safe.

**Naufal Khan** is a senior partner in McKinsey's Chicago office.

Second is to make sure our employees and partners can work safely, securely, and effectively, wherever they may be around the globe.

The third thing is readiness. For example, the work that we have done over the past couple of years on digitizing the business and modernizing our technology stack has been hugely helpful in dealing with COVID-19 impacts. We are closely monitoring the evolving situation and the new normal and building rigorous action plans for how our technology team, along with our partners, can help our customers and colleagues.

## The road ahead

**Naufal Khan:** What's next for McDonald's and for your approach to technology?

**Daniel Henry:** Our focus has been on attracting the best talent in technology, modernizing our technology stack, and transforming the way we work. I'm confident in the plan. I'm confident in our technology. I'm confident in what we're doing to be a product-centric organization. I'm confident that many of the bets we have made will pay off, and we will of course adapt as we learn more. While I'm not sure what a post-crisis world looks like yet, I know that we will keep innovating to improve and elevate the experience of our customers and our crew.

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