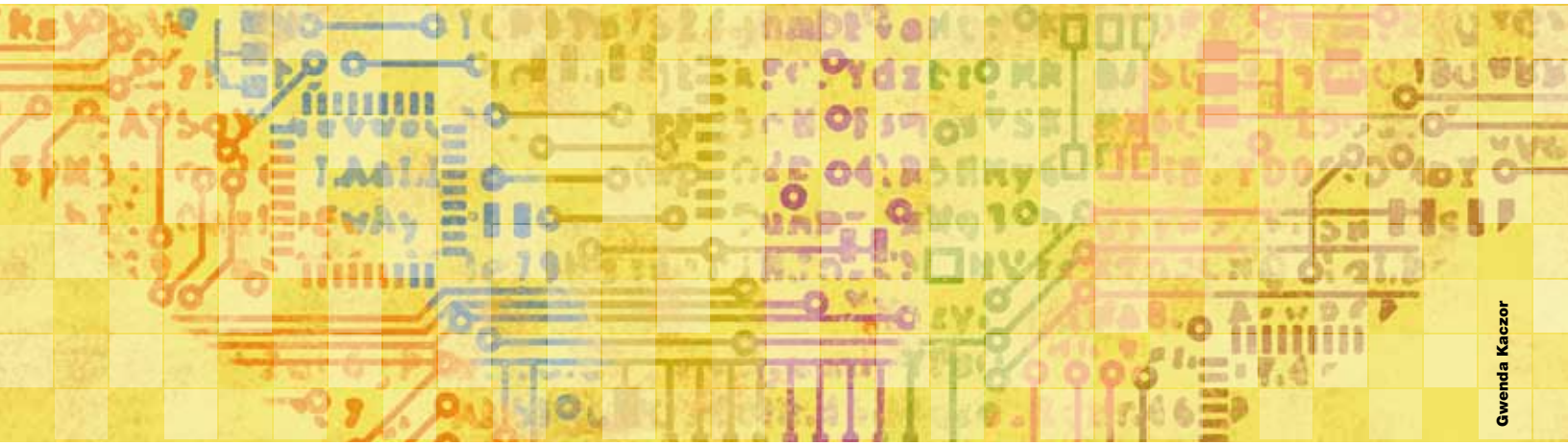


Driving the top line with technology: An interview with the CIO of Coca-Cola

Ed Steinike is reshaping his CIO role as The Coca-Cola Company accelerates its use of technology innovations in operations, marketing, and sales.

Robert Levin

Ed Steinike, vice president and CIO of The Coca-Cola Company, has set his mind on being what he calls a "revenue-generator CIO." In this interview, he talks about his department's journey from back-office function to business partner and how it uses technology to cultivate direct relationships with customers and to develop a demand-driven supply chain. Finally, Steinike describes a fledgling innovation that integrates most of the technology-driven trends in the consumer-packaged-goods industry.

McKinsey on Business Technology: *How is the role of IT changing at Coca-Cola, and, with it, your role as CIO?*

Ed Steinike: IT and marketing are very close partners at Coca-Cola today—more so, I think, than at most other companies—and that's the way it should be. Coke is spending hundreds of millions of dollars a year on digital marketing, and that number will, no doubt, continue to rise. Almost all of that spending is IT-related. This development calls for a broader CIO role. It's not enough to be an operational back-office CIO running the systems. It's also not enough to be a process CIO reinventing the supply chain and transforming support functions. Important as those two roles are, they need to be complemented by what I call the revenue-generator CIO or business-level CIO.

McKinsey on Business Technology: *What were the beginnings of the strategic partnership between marketing and IT at Coca-Cola?*

Ed Steinike: Our marketers started to think more seriously about digital channels five years ago or so. As mobile adoption expanded, they started to build a direct connection with our customers by pushing mobile applications for

Takeaways

Coca-Cola's CIO, Ed Steinike, is broadening the IT department's role as the company accelerates its use of technology innovations to cultivate direct relationships with customers and to develop a demand-driven supply chain.

By recruiting IT people who were more entrepreneurial, Steinike initiated a cultural shift that enabled the IT function to partner more strategically with marketing and other parts of the business.

It's not enough to be an operational back-office CIO or a process CIO transforming support functions, Steinike says. "Important as those two roles are, they need to be complemented by what I call the revenue-generator CIO or business-level CIO."

social-media sites and our loyalty programs, such as My Coke Rewards.

Marketing was driving a lot of it through its own advertising and digital agencies while IT, at the time, was struggling to be relevant. We were viewed as a back-office function, not as one of the strategic leaders and partners in our digital-marketing efforts. I believed we should be bringing ideas to marketing instead of marketing coming to us for creative solutions and more often than not getting the answer, "Sorry. We don't have the people to do these things."

Our first step was simply to offer traditional operating, hosting, and security for the sites and platforms the agencies were building. We did that quite well and now have over 600 consumer sites hosted in one platform environment with great data protection.

McKinsey on Business Technology: *What did it take to get to the level of business partner, to get to the point, for example, where you were coming up with cool mobile apps and connecting them with consumer-relationship programs?*

Ed Steinike: It's all about people. Just like Coca-Cola's marketing organization, which hired some really smart people in the field of digital and interactive marketing, we started to recruit talented IT people who were more entrepreneurial, a little more strategic in their thinking, and who connected better with what marketing was trying to achieve. As one example, my enterprise architect is based in Silicon Valley with his team—closer to where the solutions are likely to come from.

That said, we still have some way to go when it comes to getting young people with a different kind of mind-set. We used to bring in 35 IT interns each year, but we hired none of them despite the great work they did, because our focus was on seasoned hires, for example, business and systems analysts and project managers. We certainly must have experienced people for big systems applications and the like, but for application-development work using software as a service, an entry-level hire may be just fine.

We're now hiring five of our interns each year, and it's amazing what they can do. They look at the world differently, and they come up with new answers. They help us build a new culture in which IT is a better business partner. It will take years to complete this cultural shift, but it will only happen if we address the people side of it.

McKinsey on Business Technology: *What is the IT department doing today to cultivate direct consumer relationships?*

Ed Steinike: Recently, for the 2012 Summer Olympics, we created mobile applications tailored for over 100 countries and available in the Android and iPhone stores, in order to create a digital-marketing event around the globe that boosted our impact well beyond our traditional sponsorship and television advertising channels. The IT department built some of the applications and managed others created by external agencies or our consumers. When content comes from thousands and thousands of sources, it requires a complete ecosystem. We're now running content-management systems, digital-rights-management systems, digital-access-management systems, and mobile-distribution systems. Packaging content and distributing it around the world is a very big area for us right now.



Ed Steinike

Vital statistics
Lives in Atlanta, Georgia
Married, with 2 children

Education
Received a BS in electrical engineering from Marquette University

Career highlights

The Coca-Cola Company
(2002–07, 2010–present)

- Vice president and CIO, The Coca-Cola Company (2010–present)
- Chief development officer and CIO, Coca-Cola North America (2004–07)
- Chief technology officer, The Coca-Cola Company (2002–04)

ING Insurance
(2007–10)
Executive vice president and CIO

General Electric
(1976–2002)
Various leadership roles in manufacturing, service, engineering, and IT

Fast facts
Member of various CIO associations; serves on the board of advisers for the Allen E. Paulson College of Engineering and Information Technology at Georgia Southern University

Today, digital marketing is a joint activity in our company, with marketing in many cases looking directly to us for better ways to reach our customers.

McKinsey on Business Technology: *Having demand-driven supply-chain systems is a trend in consumer packaged goods. What is Coca-Cola doing in this field?*

Ed Steinike: It's a very important area for Coca-Cola. We've been working hard the last couple of years to integrate our plant and distribution systems to make it possible for us to see exactly what's happening with our products as they move through the supply chain. One critical benefit is to ensure that we can minimize out-of-stocks. Imagine that we direct our Facebook fans to a local outlet with a targeted promotion and the product isn't available. We've lost a sale and had a negative impact on relationships with our consumers.

The inventory at the back of a store is pretty visible, but we lose track at the shelf point and the cooler point. We're experimenting with some interesting methods to fill that gap, such as radio-frequency identification and electronic tagging of our products.

Interestingly, we have a pretty cool solution to this in the United Kingdom, where we have merchandisers take pictures of our shelves and coolers when they come into stores to talk about orders, promotions, and so on. We spent a lot of time trying to automate the processing of information found in the photographs, but it turned out that a better solution was to send the photos to a company in India: its staff studies the shots and in less than a minute gets back to us with stock counts of each product. It's a nice blend of technology and human process. Is there a better solution? We're still experimenting.

McKinsey on Business Technology: *What is the best example of IT's new role at Coca-Cola?*

Ed Steinike: Coca-Cola Freestyle, our revolutionary fountain dispenser, integrates most of what the IT department is up to and also points the way toward a technology-driven future for beverages that might be quite different from the present landscape. Earlier fountains were basically mechanical machines. Coca-Cola Freestyle is effectively a complex and sensitive enterprise-resource-planning environment. A computer embedded in the new fountain machine calculates with surgical precision the ingredients of over 100 different beverage brands. To begin, consumers experiment a bit with various brands until they find one they really like. When they do, we find that they come back to our fountains for that particular drink and this leads to increased same-store sales.

The computer records all the data involved in every single pour. Each fountain knows when it's running low on certain products. We are also using automated ordering in many Coca-Cola Freestyle locations whereby the fountain can build its own orders for supplies and place them directly into the system. It would even optimize the order so that you pay the lowest possible delivered cost. There are other things we can do with the operational data, such as working with the owner of the fountain location to talk about, for example, what drinks are moving at certain times of the day and, as a result, potential opportunities to adjust pricing and promotions. Broader marketing data represent another area. Is there, for example, a particular drink that happens to be selling really well in a particular region, country, or city?

We have visions of how we will use the data as we deploy thousands and thousands of the machines in locations such as restaurant chains, entertainment venues, and retail stores. Consumers who pay at the counter with their phone can simply go to the fountain, hold their phone up, and the machine pours the drink. When they're done, the name and formula of that drink is downloaded to their phone and a button comes up on the phone for posting it on Facebook, where their friends can see it. Friends who "like" it will get that formula to their phone and can then simply walk into a Coca-Cola Freestyle location, pay at the counter with their phone, step up to the machine, and hold up their phone for the pour. We've got 50 million–plus fans on Facebook. We've got some 18 million people on My Coke Rewards. If we could bring these audiences together around Coca-Cola Freestyle, we could learn some really cool things.

McKinsey on Business Technology: *A final question, what's your advice to a CIO starting out in the consumer-packaged-goods industry?*

Ed Steinike: My advice is that there's an interesting shift going on in the world of consumer packaged goods, and IT has to stay very close to the new trends if it wants to be relevant. If you're comfortable being an operational CIO you'll still be needed, but I don't think you're going to help your company grow as fast as it could.

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