BRIAN BARRETT BUSINESS   NOV 9, 2020 11:00 AM

The Future of McDonald's Is in the Drive-Thru Lane

The fast food chain is radically rethinking what the Golden Arches experience looks like, from a new loyalty program to more high-tech drive-thrus.

At its investor update Monday, the fast food giant detailed major changes to how its stores will work—and the software and machine learning that will enable it. COURTESY OF MCDONALD'S

SAVE

APPLICATION: <u>HUMAN-COMPUTER INTERACTION</u>, <u>PERSONAL ASSISTANT</u>

END USER: <u>BIG COMPANY</u>   SECTOR: <u>CONSUMER SERVICES</u>

SOURCE DATA: <u>SPEECH</u>, <u>TRANSACTIONS</u>

TECHNOLOGY: <u>MACHINE LEARNING</u>, <u>NATURAL LANGUAGE PROCESSING</u>, <u>ROBOTICS</u>

THE COVID-19 PANDEMIC has <u>transformed</u> virtually every aspect of life around the globe. But in the case of fast food giant <u>McDonald's</u>, its impact has been less of a catalyst than an accelerant for a process that was already firmly in place: a fundamental rethinking of how fast food works, starting with the drive-thru.

Today at the company's first investor update in three years, McDonald's CEO Chris Kempczinski detailed a new long-term growth strategy that hinges in large part on machine learning and mobile software. That might sound strange for a company known more for its burgers than its bitrates. But given its recent investments—including its <u>$300 million acquisition of "decision engine" Dynamic Yield</u> last year—the Golden Arches can lay a convincing claim that it's as much a tech company as anything else. And given its quick-service ubiquity, where it goes the whole industry will likely follow.

The dramatic changes wrought by the Covid-19 pandemic have made that transformation all the more critical. By mid-April, 97 percent of restaurants in the United States weren't permitted to host in-person dining, according to market research company NPD Group. That makes the drive-thru—where 70 percent of McDonald's sales have taken place during the Covid-19 pandemic globally in top markets—existentially important.

"It's a must-do, now," says Lucy Brady, who since January has led a new McDonald's digital engagement effort. "It's no longer optional."

McDonald's says it has shaved 30 seconds off of the average drive-thru time since 2018; its future plans hinge on reducing those times even further. The math is simple: Faster ordering means more customers, which equals more transactions.

Some franchise locations have already enacted one significant change: a voice-assistant taking your order rather than a human, powered not by a name brand

like Alexa but by a service-focused startup called <u>Apprente, which McDonald's</u> <u>acquired last fall</u>. But the concepts McDonald's is currently exploring involve more drastic changes to its stores' footprints as well.

Some of those changes, like dedicated parking spaces for pick-up orders, have been successfully implemented on a smaller scale by other brands, and maybe even your local farm-to-table. Others are more ambitious, like a drive-thru lane exclusively for pick-up orders that delivers your food to you on a conveyor belt system; think of it like the deposits-only window at the bank, except goods flow in the opposite direction. And the company is even considering a concept store with limited or no in-room dining at all, just a kitchen surrounded by drive-thru lanes and pick-up parking.

One McDonald's concept does away with in-restaurant dining altogether. COURTESY OF MCDONALD'S

Remodeled restaurants don't work in isolation. The physical makeover will be complemented by the company's existing app as well as a new loyalty program called MyMcDonald's, which will launch across the quick-service giant's six largest markets by the end of next year. Think of it like the Starbucks Rewards program: Members can place orders ahead of time, receive tailored offers, and earn points for food and drink purchases that they can redeem for, well, more food and drink.

McDonald's plans to use transponders and geo-location to know when customers who placed mobile orders have arrived at the express lane. COURTESY OF MCDONALD'S

McDonald's is far from the first or only fast food joint to stress the importance of the internet; Domino's in particular has been <u>flooding the zone for ordering options</u> since at least 2016, and chains like Taco Bell and Dunkin already have active loyalty programs in place. In fact, McDonald's itself already offered McCafe Rewards to customers who purchase its coffee drinks. But MyMcDonald's not only encompasses the whole menu, it extends to digital menu boards and kiosks as well, using geo-fencing technology to ascertain when a customer's car is within shouting distance of the restaurant. Your order will eventually timed specifically to your arrival, be it at a dedicated parking spot or an express drive-thru lane.

The chain will squeeze expediency from other corners as well. Dynamic Yield technology—which can adjust a digital drive-thru or kiosk menu based on factors like time of day, weather, drive-thru times, regional menu item popularity, and more—is already active in 12,000 drive-thru restaurants across the US and Canada. Soon, its underlying algorithmic smarts will shape recommendations at a far more granular level, serving up suggestions for individual consumers based on purchase history and other factors, and not just within the app.
"Imagine what can happen once we start to know, 'oh, Brian's coming in to the restaurant,' and what we can do," says Brady. "We're quite optimistic that the benefits we're seeing now will only continue to accelerate. "

Funneling customers through an app is critical not just for McDonald's but all quick-service restaurants to some extent. While McDonald's will continue to rely on third parties like Uber Eats for delivery, it plans to offer the ability to place those orders within its own app rather than outsource the entire process.

"All of this digital activity certainly creates a tremendous about of data," says NPD Group food and beverage analyst David Portalatin. "If I walk into a restaurant today physically, unless I'm really a regular they don't know my name, they don't know what I ordered last time I was there, or how often I come. But in a digital world the algorithm can know all of those things. It can inform better suggestive selling, it can inform new menu development, it can inform limited time offers that are really relevant to specific customer needs."

The digital push also raises inevitable questions about privacy and the impact on employment. Many of the more ambitions plans McDonald's has in motion are too early-days to know for certain how it will handle the former, although the company notes that it has thus far introduced data-hungry mobile features as opt-in. Wary customers can skip MyMcDonald's altogether. As for what Apprente and other efficiencies mean for staffing, Brady frames it as an opportunity to "reallocate" workers to other areas, like curbside pickup, that will need more support. And NPD's Portalatin says that the shift to curbside pick-up has actually increased the demand for workers across the industry.

Science

Your weekly roundup of the best stories on health care, the climate crisis, genetic engineering, robotics, space, and more. Delivered on Wednesdays.

"The restaurant industry has had a labor challenge to begin with," Portalatin says. "It's not as if there are people beating down their door trying to work there. Just the opposite. They're having a hard time getting people to work."

It's important to remember, too, that these changes will be slow-coming, to the extent they play out as rendered at all. "In combination, we think these initiatives could reach more than 10,000 restaurants" across the US and internationally, said McDonald's US Chief Restaurant Officer Mason Smoot at Monday's investor update. The company has 36,000 restaurants worldwide.

McDonald's has rethought its business on multiple levels—including the introduction of a meatless McPlant burger—in a time of general uncertainty worldwide. It's finally reaping the benefits of major technological investments dating back to last year. And the path for all of those efforts to succeed runs in one direction: through the drive-thru lane.
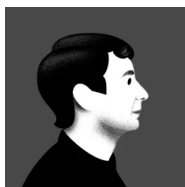
Brian Barrett is the former executive editor of news at WIRED, overseeing day to day coverage across the site. Prior to WIRED he was the editor in chief of the tech and culture site Gizmodo and was a business reporter for the Yomiuri Shimbun, Japan's largest daily newspaper.

EXECUTIVE EDITOR, NEWS

TOPICS   FOOD   COMMERCE   APPS   MCDONALDS   ARTIFICIAL INTELLIGENCE