



McDonald's Efficient Supply Chain

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Company History



**McDonald Brothers
(1940)**

**Franchises
(1954)**

**Ray Kroc
(1961)**

Going Global

Over 36,000

Headquarters

Methods

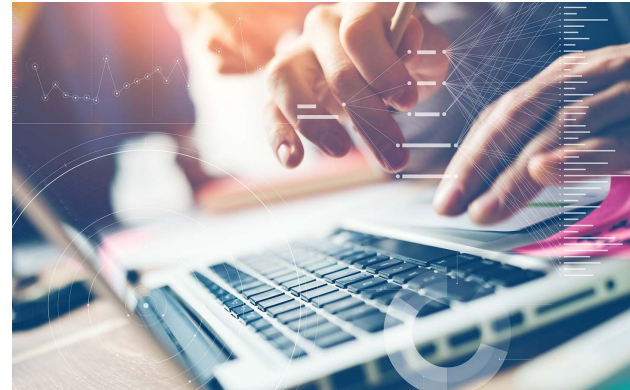


Primary Research



Joseph Herzer
Senior Business Solutions Analyst

Secondary Research



News Articles / Web Searches

Results

- McDonald's system: 3 Legged Stool
 - Represents corporate staff, franchisees, and supplier base
 - Creates "System First" approach
 - Places high value on suppliers so that long-term relationships established between a few
- Vested's 5 Rules:
 - 1) Focus on outcomes, not transactions
 - 2) Focus on the what, not the how
 - 3) Agree on clearly defined and measurable outcomes
 - 4) Pricing model/incentives for cost/service trade-offs
 - 5) Govern for insight, not oversight

Results (cont.)

- McDonald's was ranked in Gartner's Supply Chain Top 25 Master's category in 2018 (Scored in top 5 ranking for at least 7 out of the 10 past years)
 - Ranked 2nd for 5 straight years
- McDonald's serves over 69 million customers worldwide daily (1,917 customers per location)
- Used HAVI to help make the transition to all-day breakfast menu
 - Issues with the switch included:
 - More inventory for breakfast ingredients
 - Needed forecasting tools to predict supply and demand
 - Layout changes to all locations for efficiency

Results (cont.)

- McDonald's had released new plans for the company to start going more eco-friendly in 2018
 - By 2025, 100% of their packaging will be renewable, recycled or certified sources
 - Only 10% of their current locations focus and engage customers to recycle
 - Working with suppliers to create recycling infrastructures
- Turned towards their suppliers to create a new innovative technology of recycled fiber
 - Some packaging cannot be currently sourced from renewable resources
 - Allows for a win-win strategy between McDonald's and the supplier



Results (Interview)

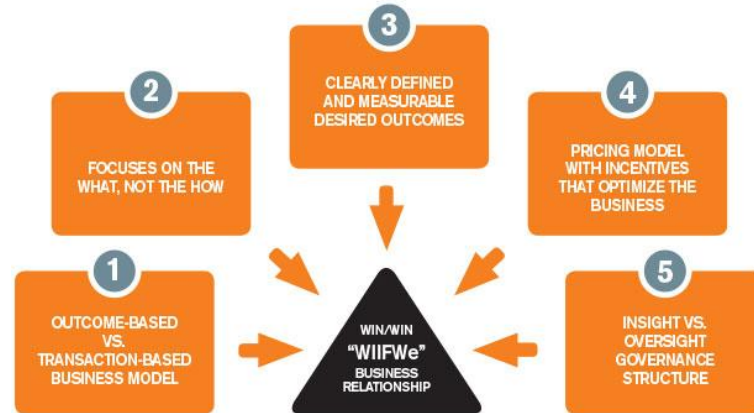
- How often does HAVI deliver to McDonald's stores per week on average?
 - A single McDonald's restaurant can on average expect 2-3 deliveries per week (Based off performance)
 - Anywhere from 72,000 to 108,000 total deliveries per week for all locations
- Do they face any problems while implementing this efficient supply chain for McDonald's?
 - Three major issues that McDonald's efficient supply chain have run into:
 - Poor forecasting with new product launches
 - Food safety and quality control issues
 - Freight shipping problems

Discussion

- Efficient Supply Chain.
- 3 legged stool model.
- Vested's five rules.
- Freedom to distributors/suppliers.



5 RULES OF VESTED



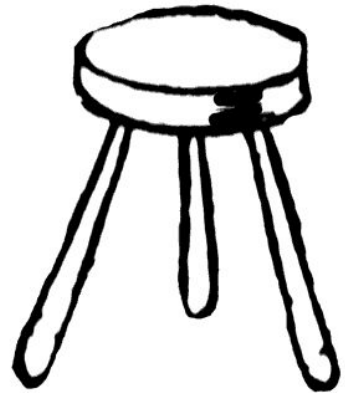
Recommendations

- Continue to outsource its Supply Chain Management to companies like HAVI & Martin-Brower Company LLC.
- Continue to follow its three-legged stool system & Vested's five rules
- Better analytical tools to determine market for new products
- Reduce wasted resources by more research and development
- Root-Cause analysis to focus on logistics and freight issues
- Perform more quality checks

Multiple Choice Question (1):

What are the 3 parts that represent the “3 Legged Stool” concept of McDonald’s System?

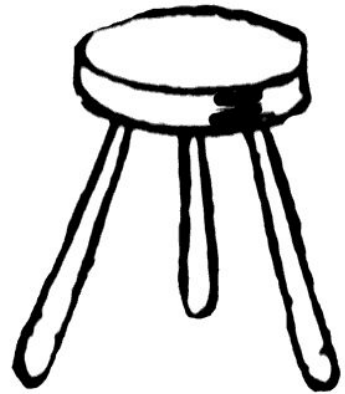
- A. Sales and Distribution, Materials Management, and Production Planning
- B. McDonald Brothers, Ray Kroc, and Ronald McDonald
- C. Resource Planning, Logistics, and Strategic Category Management
- D. Corporate Staff, Franchisees, and Supplier Base



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Multiple Choice Question (2):

What company does McDonald's outsource its supply chain management in the given options?

- A. Infor Global Solutions
- B. Ronald McDonald House
- C. Martin-Brower Company LLC
- D. McDonald's controls its own supply chain management



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