

# McDonald's Restaurant

STAT 2800  
Survey of Operations Management  
Project II  
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## **Introduction**

McDonald's, first started by Ray Kroc, is now one of the most popular fast food restaurants across the world. They proudly serve more than 46 million customers in 59 different countries and have more than 30,000 different locations domestically and internationally (Food Service). The fast food industry is booming at a rapid rate, especially the healthy trend, with this in mind, McDonald's has strategically plan to stay on top of their competitors by providing consumers with more options of healthy meals, cheaper prices, and better service. McDonald's is competitive in many categories; examples are price, quality, management and employee training, other categories will be explained throughout the preceding sections. Consumers trust McDonald's products because they use many of the same trusted brands that families buy at local grocery stores. The only difference is that their shopping cart is a whole lot bigger.

## **OPERATIONS COMPETITIVE STRATEGY**

McDonald's Corporation competes in a challenging market segment by providing need-satisfying products to customers. In this segment, ineffective competitors often fail without proper strategies (Kerin). To sustain its viability, the McDonald's corporation employs an effective competitive strategy to make it stand out against competitors such as other fast food restaurants. McDonald's competes on several bases, including cost, speed, and nutrition, their strongest priority is "making customers happy" ("McDonald's Worldwide" 3). The company recently made drastic changes to its process by introducing the "Made for You" system (Chase).

## **Competition Bases**

### ***Speed***

McDonald's competes on several bases mainly to "make their customers happy" by providing speedy, affordable, and nutritious foods. Through extensive market research and survey, the organization discovered that its customers desire speed as one of the restaurants' top priorities. Therefore, McDonald's vision aims to "provide fast, friendly and accurate service" ("McDonald's Worldwide" 5). McDonald's realizes that specific targets are necessary to measure the performance of speed, and continuously takes relevant measurements to compare actual performance with desired targets (measurements are detailed later in this report in the "Quality Management" section). To achieve efficient service times, the company utilizes proven, standardized training processes for its employees and new drive-thru layouts to reduce service times. Along with speed, McDonald's also competes by offering prices at a low cost.

### ***Cost***

To offer high quality products at low cost, requires efficient processes throughout the entire McDonald's organization. Once again, this goal is built into their vision statement when they claim that "We will be the most efficient provider so that we can be the best value to the most people" ("McDonald's Worldwide" 5). McDonald's incorporates several avenues to provide great value to its customers:

- One strategy that the company has employed for many years is the value meal.

The value meal allows customers to buy a sandwich, french fries, and beverage at

a discount when purchased together. McDonald's restaurants offer from seven to twelve value meals, both for their lunch menu and breakfast menu.

- More recently, McDonald's began offering a value menu, consisting of many individual items costing only \$1.00 each. First tested in southern California, the value menu has proved to be very successful and has been since incorporated to the individual stores (Zuber 2).
- Some individual franchise owners choose to offer daily specials of special menu items, such as "\$0.39 hamburger Wednesdays," or other similar specials. Big Mac Mondays are a popular regional promotion.

### ***Nutrition***

McDonald's third main competitive base is nutrition. The organization understands that health trend is an increasingly popular trend therefore; the organization has recently focused extraordinary efforts to promote their new nutritious choices. Although not specifically built into the organization's vision, McDonald's has already introduced many options to achieve this goal:

- In the United States, "Go-Active" meals have been offered within the last few years. These meals include a salad, bottled water, and a "step-o-meter" to help customers keep track of how many steps they take a day.
- Other countries have seen similar healthy options. The United Kingdom saw fresh fruit bags, containing apples and grapes, as an alternative to french fries ("McDonald's Worldwide" 12).

- Not only does McDonald's care about its customers, but it is also considerate of its employees' health. In Europe, the organization worked with external nutritionists to develop an "Employee Guidebook" which contains tips and nutrition information for healthy lifestyles ("McDonald's Worldwide" 13).
- McDonald's has assembled their Global Advisory Council on Balanced Lifestyles. This council consists of exercise & obesity specialists, environmentalists, and other professionals to ensure that McDonald's takes appropriate steps in helping its customers achieve optimal health.
- The company is also utilizing technology to their advantage. The current McDonald's website lets a user select any combination of menu items, place the items in the online bag, and conduct a nutritional analysis on their selections. The user can break down the analysis even further than a menu item, down individual condiments, including ketchup, pickles, etc. ("Bag a McMeal").

Not only has the company introduced many steps to ensure nutrition, but it will strive to continue the trend toward nutrition. McDonald's plans to: add additional healthy menu options (fruits and vegetables); increase nutrition awareness among McDonald's employees; conceive new ways to deliver nutrition information to its customers, and other actions ("McDonald's Worldwide" 13).

### **Strongest Priority**

*"At McDonald's, **making customers happy** is what our business is all about. And we know it takes a lot to make that happen. We work hard to provide every customer with a choice of meals and an experience that exceeds their expectations."*

The preceding statement is the quote which introduces McDonald's Worldwide Corporate Social Responsibility Report (2004). Although the company strives to compete on several bases, their ambient goal is customer satisfactions. They reach this goal through a variety of efforts.

McDonald's visionary goal is to continually improve their organization. One example is the manager on duty task of completing a "travel path" every thirty minutes of his shift. During a travel path, the manager personally checks every aspect of the restaurant, including: the lobby area where customers eat; the restrooms; the grill area behind the counter; the walk-in refrigerators and freezers; the stock area; as well as the entire perimeter outside the restaurant (Phillips, Eddie). Through completing travel paths, management continuously checks every aspect of the restaurant throughout the day.

In addition to short term continual improvement, McDonald's organization also thinks ahead for long term improvement. To ensure that they serve 100% safe food, McDonald's conducts food safety tests multiple times throughout the day. The corporation changes "Food Safety" book used by the managers several times a year, in efforts to think toward the future for the most appropriate variables to measure (food safety will be further illustrated in the "Quality Management" section).

Along with internal improvement to the organization, McDonald's also collects external information from its customers to discover which aspects the company performs well, and which aspects could be improved. The manager is supposed to talk to at least one customer during each travel path and the manager can immediately react to this direct face-to-face communication. On a larger scale, McDonald surveys its customers two

times per year. To entice customers to submit feedback, the organization offers a free sandwich in return for a completed survey (Phillips, Kenny).

In summary, McDonald's strives to reach its goal of "making customers happy" through their normal competitive bases of speed, price, and nutrition, and they also ensure customer satisfaction through continual improvement of their operations.

### **Strategy Changes**

#### ***Made for You***

McDonald's organization recently underwent drastic strategy changes to better serve their customers. Under their "old system," the company would make several sandwiches at once, and hold the sandwiches in a warming bin until purchased by a customer. Under this system, management had to precisely predict how much food had to be put on hold. Precise prediction had to be used because if there were not enough food placed on hold, this would create the problem of increase waiting times for customers, and too much food would cause waste of expired items. McDonald's dramatically changed their strategy in order to stay competitive with other fast food organizations.

In 1999, McDonald's spent \$181 million to introduce their "Made for You" system (Chase). Under this new system, standard food items are not held in a bin until they are sold. In the "Made for You" system, modern technology greatly assists McDonald's operations. When a customer places an order, the sandwich items are immediately displayed on a computer monitor in the kitchen and a tone sounds to alert the kitchen staff. Upon a new order, an employee in the kitchen will toast the bun, and



assemble the sandwich accordingly. Standard items simply list the name of the sandwich, while customized orders list the sandwich name and the desired condiments. Once the sandwich is assembled, it is presented to the food loading area, where a different staff person retrieves the sandwich and completes the order by adding french fries, desserts, etc. The system works the same for front counter orders as well as drive-thru orders (Phillips, Kenny).

Unfortunately, the introduction of the “Made for You” system did not come easily. McDonald’s watched its customer satisfaction drop for the three consecutive years beginning in 1999 (Chase). After further research, they realized that although the new system provided fresher food, it was not as quick as the previous system. Instead of reverting back to the old system, McDonald’s continues to fine tune “Made for You” and add new options to help the system work faster.

### ***Revitalization Plan***

In order to cope with the first ever quarterly loss that resulted from inefficient use of the Made for You system (Chase), McDonald’s has devised a new plan to increase profits. Previously, the corporation emphasized adding more restaurants to increase sales, but the new plan places emphasis on increasing sales at existing restaurants. The new plan will reduce spending, to enable more cash to shareholders through dividends and share repurchases (Cantalupo). Specific goals of the revitalization plan are to:

- Attract new customers
- Encourage existing customers to visit more often
- Build brand loyalty

- Create enduring profitable growth

The main goal is to increase sales by creating an exceptional customer experience. McDonald's plans to achieve this goal by focusing on its people, products, places, prices, and promotions.

### ***Menu***

Along with changes in their process strategies, McDonald's has flirted with menu changes as well. Last year, they offered a "new taste menu," where they offered a new sandwich for one week. The purpose was to offer customers a variety of options to satisfy peoples' desire for variety. However, the new taste menu proved to be ineffective. Some customers would fall in love with an item, but it would only last one week, and they would be frustrated that they couldn't purchase their new beloved favorite sandwich.

More recent changes to the menu have proved effective. McDonald's realized that many of today's customers seek healthy food options, and the corporation has offered items accordingly. As mentioned under "Competition Bases," McDonald's now offers a wider variety of nutritious items and provides information to help its customers as well as employees make informed healthy choices.

## **QUALITY MANAGEMENT**

McDonald's Corporation incorporates many quality management factors in its business process. Some of the most important plans undertaken to ensure quality include speed measurements, the five P's (People, Product, Price, Place, and Promotion), employee training, and other factors.

## Speed

One of the major quality management control factors includes minimizing the time that processes are done; this ensures an effective and efficient operations. A lot of these processes are done through the use of the latest information technology, whether it was through calculating the time of the processes or even making a database to value and make improvement to their processes. For example, one measurement is called Total Time in Line (TTL) which calculates the total time customers spend in the McDonald's line, from the time the customer begins ordering until the time they get their food. TTL measurements are calculated the same way, the target TTL differs because of the service provided through the drive through or inside the restaurant. McDonald's considers the fact that drive through customers usually expects their order faster and therefore, the drive through target TTL is 90 seconds. The target is slightly higher for the in-the-store customers because of the extra time they are willing to spend in the store (Phillips, Eddie).

Along with measuring TTLs, other programs are utilized to make the speed of the service more efficient. The "Made For You" system uses the Kitchen-Video-System (KVS) to support fulfilling speedy orders. The Made for You system allows the order taker to enter or delete the orders on a touch screen that lists sandwiches, as well as individual condiments, in a way that eases the data entry process for the worker. As soon as any food is ordered, from any register, the necessary food items are displayed on a computer monitor in the kitchen. The kitchen staff immediately begins to prepare the food, and then erases the orders from the screen as the food is finished. Similar to TTLs,

the time is measured between when an item is first displayed on the monitor, to the time when it is served. McDonalds continuously monitors these kitchen times in order to ensure that the Made for You system is working as efficiently as planned (Phillips, Eddie).

Technology not only measures performance values within the organization, but it also assists in the drive through area. When a drive through worker is taking an order, it is displayed automatically on a screen available to the customer outside, called the Customer Order Display (COD). The customer can review the COD and correct any mistakes, thus making the ordering process more precise. More precise orders eliminate time wasted from correcting mistakes (Phillips, Kenny).

Maintaining the speed and accuracy of the processes in McDonald's is also done through less technological techniques. McDonald's uses different colored packages to help the employee recognize the different types of food; colored wrapped sandwiches makes it easier to distinguish what is wrapped beneath. For example, a cheese burger is wrapped in yellow colored paper and a fish fillet is wrapped in blue, while a hamburger is wrapped in white paper. Special ordered sandwiches without standard condiments come in red and white paper, with a paper receipt attached which details the items on the sandwich (Phillips, Eddie).

### **Quality Inspections**

Food safety is one of McDonald's top priorities. Every restaurant is required to check food temperatures, expiration dates, and other food safety hazards several times throughout each day of operation. The corporation sends a standardized Food Safety

book to every store which includes a comprehensive list of every item that needs to be measured. Cooked food temperatures are measured to ensure that all food is cooked properly before served. Refrigerated and frozen foods are also checked to make certain that they do not get too warm and are not spoiled. Expiration dates are checked on foods frequently, if the item is expired than it is discarded. Equipment is also measured to ensure that it is functioning properly. Also included in the safety checks is the water temperature in the restroom sinks, workers must be caution because water that is too hot can burn customers. Food safety checks are performed throughout the day, often during one of the manager's many travel paths, which were described earlier in this report under "Competitive Strategy" (Phillips, Eddie).

Periodic corporate inspections are one of the major quality management controls at McDonald's. The McDonald's Corporation applies two major inspections on each restaurant per year. One is called Field Operations Review (FOR), and the second is called System Observation Review (SOR). Since the inspections are made periodically, restaurants have two opportunities to pass the test. If the store fails to pass the inspection the second time, corporate takes over the store and brings in better employees to ensure that the proper processes and equipment is being used properly. Both inspections are extraordinarily thorough and they are based on a point system, points can be taken off for many different reasons. For example, points can be reduced if the credit card system is too slow, the store's walls have cracks, or even if the restaurant performs processes that slows the serving time. Points will also be lost if employees are not dressed according to regulations, this includes wearing name tags (Phillips, Kenny). Mcdonald's must also

provide a food safety log of recorded entries to ensure that proper food testing is completed properly (Phillips, Eddie).

### **The Five P's**

Even though many of the quality management processes in McDonald's are done through the use of information technology, other quality management factors such as maintaining the five P's forces (People, Product, Price, Place, and Promotion) are essential in any business. Consequently, McDonald's Corporation uses these related forces in the sense that each P creates a chain affect on each other. The following is a list of methods using the P forces.

The first force is the people working in the McDonald's chains, which are represented by service, hospitality, and pride. The staff employed in McDonald's are continuously trained and kept in the company to reduce the cost of training short-term inexperienced workers. Moreover, the training process has been improved to include online e-learning tools for the restaurant staff. Maintaining the workers in the company is very important to McDonald's and the corporation rewards workers who do outstanding services. This form of incentive is motivational to the workers (Cantalupo 4).

The second force is the products which include the quality, taste, and price of the goods sold. McDonald's is trying to establish flexibility with the changing tastes and preferences in the market, Moreover, they are also seeing growing interest in premium product and wholesome food choices. The quality and safety of the food is a main entity in maintaining the quality of the food at McDonald's (Cantalupo 4).

The third force is place which is represented by the clean, relevant, and modern store environments. Whether it was in the main restaurant area, the kitchen, or even the restrooms, the company ensures the safety and comfort for the consumers and staff workers. The company intends on having the gold standards for cleanliness (Cantalupo 5).

The fourth factor is price, which is presented in the productivity and value. The value of the product is increased when consumers gets high quality products for lower costs. Therefore, McDonald's Corporation ensures that its customers receive the highest value of food for the price they pay (Cantalupo 5).

The fifth factor is promotion which is presented in marketing, leadership, and trust. The company has already earned its reputation for good quality food so they just focus on customers cares. They do this through community involvement and their social responsible towards the environment. This process will gain the trust of loyal customers and keep them for life (Cantalupo 5).

### **Training**

McDonald's realizes that its employees must understand their duties in order to fulfill the organization's goals. To ensure that all employees properly perform their assigned duties, McDonald's invests greatly in their training program. The company continues to receive prestigious awards for their leading-edge training, including the "Employer of Choice Award" from the Restaurant Business Magazine ("Restaurant Management"). New crew members go through a thorough orientation process consisting of several videos, followed by several days of direct one-on-one training by a trainer.

After employees feel comfortable with the operations, they may be promoted to Crew Trainers. Crew Trainers undergo further training for specialized processes such as the grill area, front counter, drive-thru, and other areas. Shift supervisors are the next step in the organization, followed by Second Assistant Managers, followed by First Assistant Manager, and the top manager at each McDonald's restaurant is the Restaurant Manager (Phillips, Eddie). Training never stops at McDonald's, no matter which position an employee holds. Some current employees describe McDonald's as the "best training company in the world" (Phillips, Kenny).

To improve the Made for You system, McDonald's recently introduced a strategy called "Shift into Overdrive," and this strategy focuses on helping shift managers work more efficiently. All McDonald's restaurants are required to send at least one manager to participate in the new training program (Phillips, Kenny). This training mainly focuses on the human aspects of Made for You, this ensures that the system is being used as design. Since the new system requires seamless work from several people, the entire team must work together for the system to work quickly to provide food to customers.

Finally, to ensure the quality of the operations, McDonald's does surveys periodically to get feedbacks from customers (Phillips, Eddie). As shown throughout this section, the McDonald's Corporation has been doing a very good job at keeping the quality of its products and services, whether it was through using computerized equipment or to train their human resources.

## **RAW MATERIALS**

### **The Arrival & Maintenance**



Through the intense process of choosing and manufacturing raw materials, McDonald's customers can be assured of a quality product. Whether arriving via truck or train, raw materials are delivered fresh and ready to use everyday. To ensure that this freshness is passed onto the customer, each arriving package is personally inspected for damage during its travel. In addition, the condition of delivery trucks are also taken into account to make sure that meat was untainted due to a filthy meat cooler. The meat cooler should always be set at 10 degrees below zero and the meat should remain at a constant temperature of 34 to 38 degrees. While some inspections are known, others are random to ensure that quality is consistent from one delivery to the next.

The promise of high quality for McDonald's raw materials does not cease to end at the delivery trucks. Inside the restaurant, the temperatures of freezers and refrigerators are recorded twice a day to guarantee the highest grade of ingredient usage. These temperatures are recorded in a book which is required to stay on premise for 60 days. After such time span, the book is moved to a local record storage where all previous data information is held.

### **Grade "A" Beef and Other Meats**

All beef cooked at McDonald's is of Grade "A" quality and 80%-82% lean. McDonald's not only supports humane slaughtering of animals and refuses to purchase dairy cows over 5 year old due to the toughness of their meat.

Upon the arrival of meat, received from Otto & Sons, Inc. in Chicago, a two hour supply is taken directly to the grill side freezers which stand at a constant temperature of 0 degrees. Once placed on the grill, the meat is cooked at a specific temperature to assure

the meat holds the proper internal temperature to meet the requirements of food safety and yet hot enough to hold its natural juices.

Cooked hamburger patties and other meat products are stored in a humidity controlled cabinet until usage to ensure that patties remain hot and moist. The preparation time of a hamburger should not take longer than 90 seconds and only 35 seconds after the hamburger bun itself has been toasted. This allows each customer to receive his/her meal in the timeliest fashion.

### **Produce**

It is a known fact that agronomists can spend up to two years assisting a farmer grow perfect russet potatoes, 6-inches long, that produces a finished fry which is appealing both in looks and taste. In addition many produce items, lettuce for example, have specifications that are two pages long. With this many guidelines in place, McDonald's can guarantee that they are delivering to their customer the best ingredients possible. The produce delivered from Condie's in Salt Lake City to the Evans and Colorado McDonald's restaurant arrives via railroad to ensure that freshness is maintained. Upon inspection, should any produce not meet the correct internal temperature, the refrigerator is either immediately altered or the items are discarded.

### **Restaurant Inspection**

Since McDonald's believes so strongly in high quality products, Licensees are expected to obtain their desired product needs directly from suppliers rather than the McDonald's Corporation. While this ensures that the best raw materials are purchased at

a reasonable price, it often leaves the McDonald's Corporation "in the dark" concerning the safety precautions and procedures of franchised restaurants. As a result, the McDonald's Corporation makes both announced and unannounced visits to international McDonald's restaurants to ensure that proper procedures are being followed. With each visit, the restaurant being inspected is graded on their proficiency and performance. Based on this grade, the corporation will determine eligibility for growth of new franchise locations. In addition, the failure to meet requirements can result in a default in your franchise agreement for the following term.

## **FORECASTING**

### **Aspects of Forecasting**

McDonald's has a continual means of receiving information from customers, employees, and the industry that effects short, medium, and long term decision making and forecasting. Different kinds of information are received from all levels of the corporation and are used to learn more about the market movement and advertisement structure, to basic everyday processes in production and packaging of goods for the targeted markets. Forecasting is done in large by the corporation, as part of their responsibility to the franchisee's and McDonald's shareholders.

Through our interview with the owner, we learned a lot about the basics of McDonald's business and hierarchy; we were not able to get more in-depth information that is used for their budgeting, marketing, advertising, forecasting, and innovations of new products to come because it contains confidential contents. This is due to the scrutiny from people looking for flaws, bad business conduct, and other degrading

allocations of McDonald's. Everything that was recorded was cleared at the corporate level.

Forecasts are vital to McDonald's organization and significant management decisions. Forecasts provide the basis for budgetary planning, cost control, planning new products, process selection, capacity planning, and facility layout. Typically, McDonald's uses a qualitative type of forecasting. The main information used in forecasting the stability and future growth of the corporation is by the number of customers going in and out the door and all voiced opinions.

There are different medians of communication for customer to relay there ideas, opinions, concerns, and problems they have with McDonald's. At the particular location, a customer has employees, managers, and owners to voice what's on their mind and how they like what's going on in the restaurant. Often, McDonald's managers and owners use open ended questions to allow customers to expand on what they want to talk about. McDonald's nationally offers an 800 number for customers to use when the corporation has fallen short of their expectations or when a location makes a mistake with their order. Internationally, McDonald's has a website that is not only interactive and informative throughout the 59 nations they supply to, but is a place for customers to voice their opinions and complaints. And as an owner of the McDonald's on the intersection of Evans Avenue and Colorado Boulevard, Ronald Lessnau exclaimed, "We listen!"

At the corporate level, qualitative forecasting can be seen, even with limited information that was given. Market research department takes data from talking with customers to find out how they like or feel about a particular ad campaign or a specific

commercial. And product development department uses input on developing a new product or changing how the new product is prepared, priced, or packaged.

McDonald's has been extremely accurate in forecasting trends or needs the customers want and request. Mr. Lessnau states, "McDonald's, in the past has helped customers deal with their changing lifestyles." An example of this is when the Egg McMuffin, the first hand held breakfast sandwich by Herb Peterson, was introduced for the first time. "It took 10 years for breakfast to be successful at McDonald's and now McDonald's cracks more farm fresh, grade "A" eggs daily than the largest institution in the United States, the US Military." As consumers, it is known that McDonald's has gone through a lot and where not always correct in projections influenced by the greatest number of customers.

Even with using a qualitative forecast, the future is not always so clear so see. 12 years ago, due to the strong focus group surveys responses to healthier products put into motion the making of McLean Burger. McDonald developed and marketed the McLean Burger. It had 7% fat and was the best low fat burger on the market, costing 53 cents a pound more then the normal beef. It did not sell! Customers later decided that the product was too expensive and did not taste as good as its' fatty brother. And maybe decisions that are based on the idea that the history of occurrences over time can be used to predict the future, time series forecasting, can explain why McDonald's is slow to react to the Atkins Diet trends.

Ronald Lessnau also gave examples of when qualitative forecasting influences how he fixes errors of the passed business decisions at his establishment. Decisions he has made have been based on estimates and opinion from surveys, interviews, history of

products, and questionnaires. That particular McDonald's has extended their hours as a result of many comments. Also, years ago they reduced some of the seasoning in the chicken products in a test market, and based on interviews and focus groups they went back to the original product and did not take the change national. He also described that in Denver, Colorado locations went back to the 99-cent double cheese burgers years ago because of feedback they received in focus groups that were conducted as part of their normal market research. As Lessnau explained, "Sometimes you can prevent a good idea from going bad by talking to those closest to the customer, your sales people." The data collected for these long terms and every day business decisions were from employees as well as customers.

## **SUPPLY CHAIN**

### **Examination of Supply Chain**

Food quality is the key at McDonald's restaurant. That's why they take pride in the foods they serve to their customers. They seek out fresh lettuce and tomatoes, quality buns and potatoes, pure ground beef, select poultry and fish and wholesome dairy products. McDonald's ensures that their products are guaranteed to be the best quality before serving to their customers. McDonald's has many suppliers in which each supplier plays a vital role in providing McDonald's with their products.

First, McDonald's receives its raw meat from Otto & Sons Corporation (interview). McDonald's take time and responsibility to do extensive research on their meat. For example, McDonald's Corporation announced plans that call for its suppliers worldwide to phase-out of animal growth promotion antibiotics that are used in human

medicine. They reassure consumers that they are providing beef that hasn't been injected with steroids. For this reason, their beef is 80 to 82% lean (interview). The meat manufacturers are located in Chicago and Oklahoma. From this location they ship meat to most of the Midwest distribution centers. Midwest McDonald's receives its produce from Condie's. It is located in Salt Lake City, Utah. They are supplied as often as three to four times a week. McDonald's shakes, McFlurry Desserts and reduced-fat ice cream are made from fresh quality cream, whole milk, skim milk and condensed skim milk are supplied from Robinson Dairy. They are located in Colorado Springs, since Robinson Dairy factory is located near Denver; their dairy supply is delivered quite often. McDonald's gets its supply of tea and Danish from Sara Lee and they receive their catsup from Hunt's and Heinz. McCormick provides its spices and some of their sauces. They get their blend of Arabica coffee beans from South America. McDonald's has many independent suppliers, many of which were unnamed due to confidential data not provided by McDonald's.

### **Supply Chain Efficiency**

McDonald's has a very efficient supply chain because they have incorporated an electronic Foodservice Network (eFS Network), where a company that will operate an independent B2B marketplace to facilitate sales and purchases to the foodservice industry. EFS Network, which is based in Chicago, is open to all segments of the industry - from foodservice suppliers and distributors to multi-unit operators - and helps to maximize Internet-based efficiencies and saves for its participants across the entire supply chain. The eFS Network's neutral web-based marketplace has helped to

streamline information flow between participants and promote industry-wide technology standards. It features both a public exchange that will promote connections between participants in the foodservice industry and private exchanges that enable confidential customer-supplier interactions. The exchange focuses on U.S and Canadian foodservice distribution, which is a \$150 billion industry.

### **Quality along the Supply Chain**

McDonald's policy on ensuring best quality product is that, McDonald's menu concentrates on five main ingredients: beef, chicken, bread, potatoes and milk. Recognizing the importance of the supply chain in maintaining quality is one of McDonald's strengths. McDonald's aims to create long-term relationships with a limited number of supplier partners. Suppliers are usually keen to ensure that they can meet McDonald's required standards. Continued orders mean that suppliers can be confident of survival and growth. McDonald's ensures that they stress their standards based on quality, value and cleanliness. They say that they have in place stringent quality assurance and food safety programmes. They also claim that they know where all product ingredients come from. This enables the company to control every link in its supply chain. Food safety is clearly very important to the company. This is understandable when you consider how reputations can be seriously damaged when things go wrong. Their emphasis on safety and origin of ingredients highlights the efforts McDonald's make to allay fears among the general public over nutrition and modern farming methods. Also, their Extensive use of animal welfare audits ensures that all of their suppliers adhere to their rigged standards for animal treatment and care. They do this by having



unannounced audits up to 100 per year at various farms and suppliers facilities to ensure that their standards are met along their supply chain.

### **Share Costs**

McDonald's share cost between their suppliers and the corporation is much lower than other fast food restaurants. This is due to the fact that they have specifications and specialist who assists the suppliers in planting or producing the raw materials before it is shipped to the restaurants. For example, they send agronomists to spend two years to help farmers grow a russet potato that is six inches long and has the solid contents that are required to produce a finished fry that looks, taste and has the mouth feel that french fries have. By doing so, they lower the cost between their potato suppliers and themselves and the risk of the suppliers having to re-grow the potato and than reshipped the potatoes. McDonald's also publishes specific guidelines for their suppliers to abide by; this ensures that suppliers meet the guidelines for all their needs. This also reduces the risk of a supplier messing up and having to resend the raw materials which will cost more to do so. By giving attention to the suppliers ahead of time, McDonalds will reduce the share costs between them.

### **SUMMARY**

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