



INDUSTRY TYPE | KEYWORDS AND SOLUTION NAME

## How McDonald's and JAGGAER Established a New Era of Procurement for Restaurants and Suppliers



### Customer Profile

One of the best-known brands the world over, McDonald's restaurants can be found in over 36,000 locations across more than 100 countries, with upwards of 500 in Italy alone. Nowadays, the McDonald's restaurants in Italy don't just serve hamburgers, french fries and Coca-Cola, but traditional Italian food as well. More than 70% of the brand's agro-food supplies are sourced in the country — the result of the brand's "glocal" strategy,

an approach in which the products served satisfy the tastes and dietary traditions of each individual country with the emphasis on local recipes and ingredients.

The statistics show that Italians like this formula: McDonald's employs about 20,000 people in Italy today and the company's revenue is in excess of 1B € (\$1.2B USD). The chain serves 700,000 customers every day with 140,000 tons of supplies delivered to restaurants every year.

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Georgios Karachalios  
Field Service Director,  
McDonald's Development Italy

This expansion is also encouraged by management's focus on introducing innovative technology to improve business processes. This is the case of the introduction of a web portal developed by JAGGAER to support the purchasing process by allowing suppliers to register, submit their qualifications, and study the multinational's requirements and needs, along with streamlining procurement processes on their own end thanks to increased visibility and digitalization.





## Challenge

McDonald's in Italy wanted to optimize their procurement process and make the move to managing the entire relationship online, from selection to negotiation. To enable this, they sought a partner who could deploy a portal in which suppliers could register and see straight away what sort of requests they can expect from McDonald's and obtain all the information they need.

The portal would primarily be used in two areas: purchase marketing, or the search for new suppliers and products, and the management of negotiation processes. McDonald's wanted to optimize resources, improve the efficiency of processes, reduce

time to market, and offer more choice from a broader and better developed supplier list than in the past. An improved accredited supplier list represented a fundamental factor in speeding up McDonald's vendor selection process: suppliers would be able to enter the portal, answer specific questions, submit the documentation requested straightaway, and play a proactive role in the qualification process.

"Previously we had different, rather cumbersome processes in place in each business area and every time tenders were called for a particular product category, we had to start over almost from scratch," said Georgios Karachalios, the head of supply chain for McDonald's Italy. The company



wanted a system with which to centralize the organization's information in its Italy locations, so that all buyers "would be able easily find what they need, even if they have no direct knowledge of the 'negotiation history' in a given category."

## Solution

After an assessment period, McDonald's Italy selected JAGGAER to put in place a portal solution to meet these challenges. The portal has become an effective collaboration and communication tool between the company and suppliers, and the digitization of documentation that is normally used in negotiation processes is now a reality. Not only are the documents involved no longer in paper form, but they aren't even sent by email—they're managed seamlessly and efficiently right in the JAGGAER system.

At first, the portal put in place with JAGGAER solutions was used by two divisions which represent 80% of purchases in Italy, though today most corporate departments are

involved. The first was the Supply Chain division—which handles the procurement of food products for restaurants and certain services, like electric power—with about 400 suppliers registered on the portal. While strategic products for McDonald's, like meat, bread and, salads, are excluded from this process and managed through long term international agreements, all the rest—from beer to promotional products—are put out to tender every two to three years on average.

The second area is the aforementioned Construction department, which deals with new openings and renovations: planning, civil works, interior decoration, maintenance, etc. McDonald's used the JAGGAER portal to manage tenders for special projects with unusual technical specifications, like exterior cladding for restaurants. JAGGAER has allowed McDonald's to enter into new collaborative relationships. Says Karachalios, "We have received a very positive reaction from suppliers because by registering with the portal they can immediately see what we need here in the world of McDonald's and obtain all the information they need to meet our expectations."

Luca Montemezzo, McDonald's Italy's General Services and Procurement Manager, adds that the impact in the Construction division has also been positive, particularly for new suppliers, who "previously sent in presentations by email or fax, which are hard to manage using a structured approach. By registering directly with the portal, they receive immediate feedback and can easily understand what McDonald's needs and therefore the opportunities open to them."

While the portal is mostly used for purchasing, McDonald's has found use for it in other areas

well. “We also use the portal to organize tenders for sales,” explains Karachalios.

“For several years now our vehicle fleet has been collecting used oil from restaurants and taking it to distribution centers for storage, after which it is sold to the biodiesel industry. This is known as reverse logistics and is an area that looks set to grow for us: waste like aluminum cans, plastic, and cardboard has a value and we aim to collect and sell it for the best price.”

JAGGAER’s portal is even being used when sourcing electric power. “Our franchisees are required to use raw materials that are approved by the company and purchased centrally, but for services like electric power, they are free to choose their own supplier. For this reason, when McDonald’s calls for tenders to purchase energy, we need to determine the volumes involved and therefore ask each franchisee for formal confirmation if they want to form part of the purchasing group. In this case, the portal is used as a tool to facilitate collaboration with franchisees, as an alternative to having to manage everything by email.”

## The Future

Soon after the portal went live, McDonald’s starting assessing implementing additional functions to assess supplier performance based on KPIs, starting with restaurant maintenance, both to verify the suitability of suppliers before launching a tender or later during service provision.

And according to Karachalios, Italy acted “as a trailblazer in this area, but various European countries are now taking an interest in the project.” The standard purchasing policies in place in all McDonald’s companies are established by the corporation, so as the Italian restaurants’ approach continues to be particularly efficient, a digitalized procurement process could prove to be a best practice that the corporation replicates worldwide.

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