

The Supply Chain Management of McDonald's

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Abstract. This article is meant to be a full introduction to McDonald's and his supply chain system, why the food company is so successful and what efforts and innovations they have made to manage and operate their supply chain. The paper begins with the history of McDonald's and the current trends in the general consumer market, and then explains McDonald's market positioning and customers. Next, with a dialectical explanation of how McDonald's operates its own company and how it manages its own supply chain through the three-legged stool principle is presented, describing the upstream and downstream supply chains respectively. Finally, the sustainability of McDonald's supply chain and sustainable partnerships are discussed.

Keywords: Supply Chain, 3-legged stool, OSCM.

1. Introduction

McDonald's opened its first restaurant in 1955 in Illinois, USA, and has since grown to become the world's leading retail food service company [1]. As a multinational fast-food chain, McDonald's is still the world's largest fast-food chain until 2022, which ranked in the top ten for ten consecutive years, well ahead of other fast-food industries similar to KFC and Burger King [2,3]. As a fast-food restaurant famous for burgers and fries, McDonald's is best known for Big Macs and French fries [4]. With more than 38,000 outlets in over 100 countries, McDonald's takes into account different regions, different religions, and different taste preferences. The menu is adjusted appropriately for different countries and regions. McDonald's change their menus to suit local tastes and religious belief. For example, in India, where there are Buddhists and Moslems, McDonald's has set up separate restaurants to distinguish between those who don't eat beef and those who don't eat pork. Considering of people's healthy, McDonald's also provides McPlant, vegan burger for vegetarians, and specifically labelling how many calories are in each burger. McDonald's was the first company to invent the concept of "food and play", launching the "Happy Meal" in 1979 [5]. Happy is the incarnation of the McDonald's Happy Meal box, similar to the existence of the mascot [6]. Also, considering convenience and fast, most McDonald's counters offer three different services, which include self-order, takeaway, and picking up orders.

2. Performance Objective of McDonald's

How has McDonald's grown its current size from its founding as a fast food restaurant in 1940? What methods have McDonald's used to achieve today's success. From this paper, there are three points. Firstly, the performance goal is to help a company or organization succeed, employees are trained and required to complete or generate'. Therefore, the goals must be clear, effective, executable, neither too high nor too low, and must be realistic. Similarly, at the operational level, the measurement standards for operational performance and goals are also divided into five categories, including quality, speed, reliability, flexibility, and cost. Thus, McDonald's makes it more competitive in the market through three main target factors. Firstly, the company strictly controls food quality and safety. Secondly, the company provides customers with a high-quality service experience. Finally, the company adheres to the principle of balancing employees, suppliers, and franchisees, also known as the "three-legged stool philosophy".

2.1. Their customers

McDonald's has a wide audience, including children, students, their parents, and the working class. With the increase of young customers, McDonald's decided to focus on changing the Happy Meal to a healthy meal. This means that they need to cater to the preferences of young customers, not only to have the preferences of the general public, but also to have unique selling points [6]. McDonald's defines its current audience as the younger generation according to the company's "Global Happy Kids' meal 2020 Progress Report" [7]. In order to reassure more people about the safety and nutrition of its hamburgers, and maintain a serious professional ethics responsible for children's health, McDonald's has comprehensively reformed the nutrition standards and packaging of its Happy Meal globally since 2018 [8]. Including the gifts inside, the plan is also underway, achieving more fruitful results around the world. Although McDonald's has been advocating for a balanced nutrition program, ultimately, it is still just a fast food restaurant. Customers are more concerned about efficiency and the taste of the food, and most importantly, the rationality of the price and food safety.

2.2. Market positioning

When it comes to the positioning of McDonald's themselves and their business philosophy, In this research, they stick to the idea of going out while entering the local area of each country. Although offering the same food on the same menu would make McDonald's a much smoother place to do business, so McDonald's has adapted its menu locally in order to adapt to the different food cultures, habits, and religions of each country. For example, McDonald's has introduced garlic hot sauce in China to suit Chinese tastes, and will introduce seasonal special flavours of McSwirl in the summer, which sells really well [9]. As many countries and regions have different religious beliefs, for example, in the Indian region, there are people who do not eat both pork and beef beliefs, so McDonald's will not offer certain burgers in certain regions in order to respect the local religious beliefs [10]. This serves as a "unique selling point" that both attracts more customers and helps McDonald's to be more competitive than its other counterparts in the market. In addition, McDonald's is not just selling their product, they are also selling an enjoyable and relaxing eating atmosphere and an effective and fast service. This selling point is evident in the gradual harmonisation of colour schemes and decoration in McDonald's restaurants, as well as the increasing number of children's playgrounds that have begun to be established in recent years. McDonald's not only aims to satisfy the taste buds of its customers, but also to provide them with a satisfying service experience that delivers quality, service, cleanliness and value for money. Consistently implementing their business philosophy has become their main focus in a competitive market.

3. Operations and Supply Chain Management

3.1. The Overall Operation of McDonald's

As a fast-food company with a very special supply chain, Ray Kroc, the founder of McDonald's, chose to persuade franchisees and suppliers to accept his vision. Suppliers do not work for McDonald's, but for themselves, achieving an efficient and unified food preparation method [9]. This is the three legged stool principle, which refers to the partnership between McDonald's franchisees; McDonald's suppliers; And McDonald's employees. The principle of a three legged stool is based on absolute fairness of interests, and the common goal of the three parties is determined as mutual advancement and retreat. By training employees to think about what they can do and what they can do, in order to achieve the maximization of common interests.

3.2. The supply chain of McDonald's

3.2.1 Upstream supply chain

Unlike the Vertical integration supply chain instem, McDonald's does not directly participate in any procurement and transportation work, but is responsible for constraining and giving some help to

a certain extent, and the rest is managed from the headquarters down. If a company establishes good relationships with suppliers, they can produce products and services with higher quality and lower prices, which not only helps McDonald's increase profits but also helps to improve work efficiency. The larger the scale of a catering company, the higher the cost of processing and transporting raw materials. In the fiercely competitive catering market, if a long-term agreement can be reached with suppliers, it is definitely a significant advantage to obtain some discounted prices and look forward to longer-term growth in the future. From McDonald's website, it can be seen that they have strong connections with food ingredient suppliers, and both parties have high demands on each other [10]. For example, all local suppliers who cooperate with them, especially crops, must obtain approval from the nationally recognized Farmers' Bank Guarantee Program [11]. This is to prevent the involvement of food safety lawsuits caused by McDonald's and its suppliers being part of the same corporate system.

3.2.2 Downstream supply chain

There are no contracts or laws that constrain McDonald's to maintain a peaceful and cooperative relationship with suppliers. This may sound absurd, but McDonald's has been operating this unique relationship for decades. The key to the breakthrough of the supply system lies in the transparency of cooperation and trust between distributors, suppliers, and McDonald's, as well as McDonald's self-discipline towards its own requirements and innovation for future development. McDonald's headquarters around the world are in contact with local franchisees, and there are dedicated refrigerated trucks that directly transport fresh ingredients from local suppliers to various stores every week, just to ensure freshness and low inventory levels of the ingredients [12]. All substandard food is directly returned for reprocessing, and expired food must be discarded on the same day. McDonald's sets high standards and strict review procedures for its retailers in order to drive the growth of the entire company's profitability by improving its own level. Although there are also public condemnation of McDonald's behavior of wasting a large amount of food on the day, which is capitalist behavior, their food safety indicators are too convincing to be ignored. McDonald's has to some extent successfully enabled its franchisees, suppliers, and employees to work together as a whole and as a team, maximizing the use of the three legged stool principle. This innovation may achieve greater success in the future [13].

3.2.3 OSCM Practice

Operations and supply chain management, which is OSCM, is still in a developmental stage. With the main functions of planning and coordinating all the activities involved in the production and delivery of the company's products and services. It can help the company to reduce costs and improve operational efficiency, which is constantly evolving and is an indispensable part of the company.

As a globally renowned fast food enterprise, McDonald's is particularly concerned about the safety and satisfaction of the food and services it provides to its customers. In order to enhance the overall brokerage strength of the company, McDonald's mainly improves itself in two major aspects. Firstly, it is to improve customer satisfaction with food, and secondly, to find a large customer base. The main customer group of McDonald's is the younger generation, so in recent years, the company has made many changes and efforts to improve the quality standards of children's Happy Meal [14]. Whether it is the freshness of apple slices provided in Happy Meal or hamburger cooking with less salt and oil, it can be seen that McDonald's attaches great importance to the health of the new generation of children [15]. The second issue is the quality of food, and McDonald's has the strictest control methods from the source. Whether franchisees need to pass exams to participate in training and be qualified to open stores, or suppliers must have relevant production licenses and meet various indicators to produce raw materials, and must pass corresponding food safety measures, all of these indicate that the company has very strict control over food quality [16]. A complete and efficient supply chain is crucial for achieving these goals. In addition, McDonald's implemented its Just In Time (JIT) inventory management system in order to minimize cost and time waste and win in efficiency [17].

4. Supply Chain Sustainability/ Collaboration and Partnerships

The topic of sustainable development has been in the spotlight for more than a day, especially in today's environmentally friendly society, where the public is demanding more and more from the food industry in terms of quality and safety. McDonald's is responding to the "Green Packaging" initiative by launching three programmes to optimize packaging materials to reduce the use of plastics. McDonald's has been using paper takeaway bags since 2007 and was the first brand to use paper bags in China [18]. McDonald's is actively reducing the use of packaging materials and plastics, and all its paper packaging is made from 100 per cent Forest Stewardship Council (FSC) certified paper. Secondly, McDonald's plans for a strategic green restaurant initiative in China have been recognized by customers and the industry, considering the location and accessibility of the restaurants while also managing indoor air quality and energy consumption. It is truly green and low carbon, with all-round considerations for consumers [19].

In order to better fulfil its social responsibility, McDonald's in China has actively responded to the "National Nutrition Plan 2017-2030" and continuously upgraded its Happy Meals, implementing its commitment to children's nutrition and well-being. At the same time, McDonald's will launch the "Youth Unlimited" talent development programme in 2020, investing more than 100 million to help thousands of young people enhance their employability and promote employment to help people's livelihood [20]. In 1974, McDonald's established "the Ronald McDonald House" in the United States as a global charity programme to provide a "home away from home" for the families of children who have to travel for medical treatment. There are now more than 370 Ronald McDonald Houses in 45 countries around the world, providing tens of thousands of families with a peaceful night's [21].

When it comes to McDonald's success, its "three-legged stool" business philosophy has been well known for a long time, through the mutual co-operation between suppliers and employees, so as to build a strong foundation of mutual trust and partnership [22]. Without any of these parties McDonald's unable to run smoothly, which is why the role of the supply chain is so important. As we all know, McDonald's relationship with all of its suppliers is extremely special and valuable. In today's world of co-operation and contracts, with no paperwork and no terms and conditions, McDonald's still maintains a primordial relationship based on mutual trust and the common goal of mutual benefit [23]. Why should the Suppliers, that McDonald's can lead them to success, by virtue of McDonald's all its franchised dealers extremely stringent vetting system. Large to the current state of the assets of the small to the individual's family background, as well as the need to pass the various assessments and reviews will also be centralised after the training programme to be allowed to open a McDonald's.

At the same time, McDonald's has set up a Food Safety Advisory Committee comprising suppliers, and supply chain experts, which conducts rigorous reviews and on-site visits of the quality of food from all of its suppliers, among other initiatives [24]. By holding itself to a higher standard, McDonald's is able to safeguard product safety and quality and improve the competitiveness of the company's supply chain. There are risks to be borne together, there are difficulties in the first place to consider timely communication, co-operation and transparency but also mutual tolerance and trust, this concept of common progress and retreat led to the three and McDonald's relationship is becoming increasingly close [25].

5. Conclusion

Despite its many shortcomings, McDonald's still deserves to be the most popular restaurant in the fast food chain. Whether it's their innovative approach to their supply chain or their open and transparent strategic partnerships with suppliers, it's easy to see that McDonald's is always keeping the customer in mind while keeping up with the times. Carrying the idea of prioritisation through to the end. The restaurant industry can easily become embroiled in public opinion due to food safety issues, and what McDonald's is doing is eliminating the root of the problem by keeping a tight rein on the quality of their own food and imposing strict requirements on their partner suppliers.

McDonald's is making the impossible possible by innovating and improving their supply chain, they would rather waste than let their customers eat unhealthy food. This shows that McDonald's have high expectations of the quality of their food and service and by turning their customers into repeat customers they can increase the number of loyal customers the company has which will give them a advantage in the market. Just as McVeigh says, "This is an opportunity not only to shape our supply chain, but also to drive our success:to make our supply chain more efficient, bolder, and able to capitalise on our scale." OSCM has more room to grow in the future, and McDonald's will do even better in the future if it can make better use of this management tool to save costs.

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