



CUSTOMER STORY

McDonald's Mesoamérica

A "fast" supply chain for a giant in fast food

Introduction

Since 1980, McDonald's Mesoamérica has been the distributor of McDonald's products in Central America. The company operates in four countries and has four distribution centers, three production plants, over 150 stores and more than 7,000 suppliers and collaborators. Although the company was one of the pioneers in implementing in-store automated kiosks, its approach to planning did not mirror this innovative mindset. The absence of an effective planning process, along with the company's organizational changes, rapid expansion and competitive market, inhibited planner productivity and lowered service levels.

Industry

- Food & beverage

Solution

- Demand Planning
- Inventory Optimization
- Replenishment

Results

- Inventory reduced 7%
- Service levels increased to over 90%
- Expedited shipments reduced 83%
- Planner productivity and time management significantly improved

Challenges

McDonald's Mesoamérica contended with four serious challenges surrounding its supply chain planning. First, it faced the complexity of meeting exceptionally high service levels while managing perishable products and dynamic promotions.

Second, the company's recent period of accelerated growth generated extraordinary turnover levels, impelling the company to adapt its supply chain from a push to a pull system. It needed a way to use demand data from different channels (including its restaurants, McCafé and home deliveries) to better plan its raw materials.

The company was also in dire need of a streamlined and organized planning process. Prior to adopting ToolsGroup, McDonald's planners were using the SAP MRP module alongside custom Excel files—one for each planner! This situation limited visibility and communication between planners and teams and impeded reliable forecasting calculations.

Last, the company was undergoing a restructuring process. "We were facing the enormous challenge of organizational change, which included not only the search for a technological tool, but also changes in the organizational structure, processes and systems," said Luis Abadía, the Supply Chain Manager for Suministros y Alimentos, the company responsible for the production and distribution of McDonald's extensive catalog of ingredients to its restaurants across the region.

Solution

The rapid expansion and restructuring of McDonald's Mesoamérica highlighted its supply chain planning challenges and prompted the company's search for a centralized system that could:

- Synchronize logistical operations and standardize the purchase process for all points of sale, distribution centers, and production plants
- Visualize real-time demand, consumption, inventories, transit orders, and forecasts.
- Calculate more reliable forecasts
- Improve service levels and inventory performance
- Transition the company from a push system (based on sell-in data) to a pull system (based on sell-out data)

"The project was led by our President and Directors," said Luis Abadía, "which allowed us to move forward with an internal committee in which each area of the organization involved could contribute their experience and knowledge." After a six-month deliberation period during which this committee of executives and experts evaluated seven supply chain solutions, ToolsGroup's Service Optimizer 99+ (SO99+) emerged as the conclusive answer to McDonald's difficulties. "The most valuable capability was the simplicity in which SO99+ addresses complexity," said Abadía, adding that "other aspects such as its qualification in the Nucleus and Gartner quadrants, its technological interfaces, the professionalism and expertise of its executives, and of course, the project's return on investment were also decisive variables."

SO99+ now operates in all of McDonald's logistics centers. The company has extended access to SO99's reporting module to other departments of the organization, such as sales, marketing and production, thereby facilitating interdepartmental communication throughout the business. McDonald's also uses SO99+ to create proposals for supplying raw materials to its production

plants and uses SO99's promotional information to manage its S&OP process and improve its service agreements with suppliers.

As summarized by Rafael Labbé, the Supply Chain Director for Suministros y Alimentos, "Through the supply chain transformation process, we get to read the sell-out information in terms of burgers and translate it to ingredients, so we have the end product sales forecast and use it to purchase all supplies in terms of ingredient cases. This is done using SO99+ mixed with our own SAR Management System, resulting in increased efficiency and greater visibility."

Results

The integration of SO99+ effected positive and rapid change for McDonald's Mesoamérica, enabling it to achieve its objectives quickly. The company experienced:

- Improved planner productivity: Restaurant planners now only need 30 to 60 minutes per order, instead of three to four hours. This improvement represents a reduction of 17,500 hours at the network level. The time dedicated to alerts analysis and forecast calculation was also reduced in both distribution centers and production plants.
- Improved service level rates: The service level reached above 90%, thanks to daily inventory categorization for each SKU-L. Because SO99+ shows the specific products that must be ordered for each point of sale, McDonald's Mesoamérica can better measure their fulfillment needs at the restaurant/store level.
- \$550,000 stock reduction: The inventory at DC level was reduced by 7%. Although inventory increased for some critical SKUs, restaurant inventory was reduced by 3% overall.
- 83% reduction of expedited intertransfer between different nodes of the supply chain: Due to improved product availability at the point of sales, urgent shipments dropped from 78 to 13 per month, resulting in a reduction of more than 18,000 labor hours a year.

In a second phase, McDonald's Mesoamérica plans to run an almost entirely automated process, reducing planner intervention by 85%. Instead of having 150 restaurant managers making changes to the order proposals, McDonald's will adhere to the optimized stocking levels generated by SO99+ and implement a "blind delivery" system in which teams will make nightly deliveries to restock restaurants, minimizing the risk of human error.

Rodrigo Cofiño, Corporate Operations Manager at McDonalds Mesoamérica, explains the overall benefits of the new planning structure: "We needed good visualization throughout the whole process and we needed better timing and forecasting. SO99+ makes us a lot more agile and prepared." That agility ensures that whatever the real world serves up next, McDonald's Mesoamérica can be ready.

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