

Supply Chain Management and its Tools used by McDonald's in India

Ajay Kumar Pagare*, Ruby Kumari and Salman Elahi

Department of Mechanical Engineering, Jaipur National University, Jaipur, India

Abstract

McDonald's is largest fast food chain in world, it is also known for its speed of operation. It is present in 118 countries with 36900 outlets. It is very crucial task to satisfy every customer where their expectation are very high, all they want is hygiene, taste, cleanliness, reliable price, fast delivery and many more. In India there is 250 eating outlets covering 40 cities and they add more outlets every time. McDonald's entirely outsourced its service and managed quite long supply chain network in India. It uses various models like HUB and SPOKE model and different software like SAP SCM, RAMCO ERP with COBRA. The explanation will help to understand the flow of supply chain management and its tool in India.

Keywords: COBRA • RAMCO ERP • Supply chain management • Multi layered SCM • Hub and spoke • Pull supply chain • SAP

Introduction

McDonald's is an American fast food company, founded in 1940, it is the world largest chain by revenue and serves 69million customer daily in more than 118countries. It has approximately 36900 outlets covering 118 countries. The McDonald's corporation revenues generated from their rent, royalties and fees paid by the franchisees as well as sales in company operated restaurants.

As of report published in 2015, McDonald's is the world's fourth largest private employer.

In India the first outlet of this chain opened on October 13, 1996 in Delhi and it was first McDonald's restaurant in the world not serving beef on its menu. The complex supply chain process, India is 2nd highest populated country in the world and to work in this environment every company need to manage its operations very effectively and efficiently, supply chain management is one of them. McDonald's India has 250 outlets and 9000 employees including restaurant staff across the whole country and its intricate supply chain network is managed by a small group of people [1].

Supply chain network of McDonald's in India have its own kinds:

- 100 percent outsourced
- Lean with no backup staff

India has both critical and multilayered supply chain which is divided in two categories: Tier 1 and Tier 2 suppliers

Tier-1 suppliers provide processed products to distribution center e.g. vegetable and chicken patties. There are 40 suppliers in which 14 are core suppliers or Tier-1 suppliers (Table 1).

Tier-2 suppliers rest 26 suppliers out of 40 which are generally growers and processors who provide lettuce, poultry products, potato and coating system that are used for marinating and for coating of patties and chicken. Some tier-2 suppliers in India are Vista processed foods and McCain Food India Pvt. Ltd and so on. Most of the Tier-2 suppliers are local suppliers. The

***Address for Correspondence:** Ajay Kumar Pagare, Department of Mechanical Engineering, Jaipur National University, Jaipur, India; E-mail: pagareajay8@gmail.com

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Received 26 April 2021; **Accepted** 10 May 2021; **Published** 17 May 2021

flow of products is from Tier-2 to Tier-1 suppliers for processing and then it is transferred to distribution center through proper refrigerated trucks [2].

These trucks are customized and have different compartments of various temperature zones according to the food- frozen product at -18°C to -20°C, chilled product from 1°C to 4°C and dry products at ambient temperature.

Description

Monopoly of one distribution partner

The whole management and distribution of McDonald's products in India is look-over or handled by Radha Krishna Foodland Pvt. Ltd. (RKFL), the only distribution partner. RKFL manages all distribution centers which are 4 in number, two are primary and two are secondary distribution center. It also controls the movement of refrigerated truck in entire supply chain management. RKFL controls and manage daily activities of supply and demand, keeping tracks on working capital management, delivery time, lead time, payments etc. any required item is sourced directly from RKFL. Only Coke and Bun directly sent to restaurant [3]. Whole supply chain network work on two systems HUB and SPOKE SYSTEM, where Hub is distribution center and another one is PULL-SUPPLY CHAIN SYSTEM (Figure 1).

Technology in SCM at mcdonald's india

As time goes situation changes, and according to Product Life Cycle change is very important to be in growth and maturity stage. Now a day's competition is hard and complexities in every operation are increasing as

Table 1. Tier-I suppliers.

cheese	Dynamix Dairy Industries Ltd., Pune
Dehydrated onions	Jain Foods, Jalgaon
Iceberg lettuce	Trikaya Agriculture, Pune
Chicken Patty	Vista Foods, Taloja
Veg. Patty, Veg. Nuggets, Pineapple/Apple Pie	Kitran Foods, Taloja
Chicken (dressed)	Riverdale, Talegaon
Buns	Cremica Industries, Phillaur
Eggless mayonnaise	Quaker Cremica Pvt. Ltd., Phillaur
Sesame seeds	Ghaziabad
Fish fillet patties	MeenaAgritech, Delhi
Vegetables for the patties	Amalgam Foods Ltd., Kochi
Mutton and mutton patties	Ooty Farms and Orchards, Ooty
Al Kabeer, Hyderabad	Finns Frozen Foods and Jain Foods (Nasik, Jalgaon)

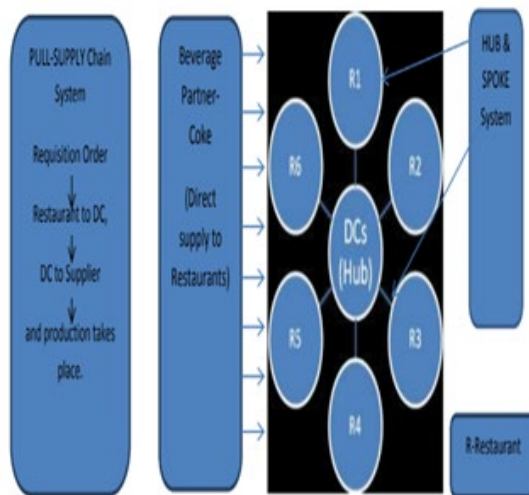


Figure 1. Pull-supply chain system.

standard time of doing work is decreasing. The best way to cope up with situation is integration of technology.

For the effective and efficient functioning of SCM, various software are incorporated, the power of technology make every process smooth and effortless.

In McDonald's suppliers are using SAP software while distributor are using RAMCO ERP with COBRA software. These software automated the process of uploading of orders, daily activities, staff scheduling process, daily forecasting of required product etc as well as it also send predicted information to DCs [4].

SAP SCM: It plays an important role in achieving coordination between its entire supply chain processes with respect to change in environment.

It helps in establishing connection between customers, manufacturer, processor, retailers, business partners and global connections to generate result oriented solution.

The various components of SAP are as follow:

- SC Collaboration-Here collaborative forecasts are generated.
- SC Planning-Here operational plans are generated as per data in system.
- SC Coordination-This component organize and coordinate the exchange of data and information between departments.
- SC Execution-This component make sure that plans are executed properly to get optimum result.

Supplier's uses SAP in McDonald's to get these benefits

- Reduce the days sales outstanding
- Efficiently manage forecasts and handle sudden change in demand and supply.
- Proper inventory management and reduce lead time by optimizing other process.
- Communication is very fast
- Reduction in production cost because of improvement in production.
- It reduces transportation taxes and reduces transportation errors.

RAMCO ERP: ERP stand for Enterprise Resource Planning, its basic function is to integrate all the process of different department into single one.

RAMCO is one of the ERP software that provides numerous cloud based solution to its customer. RAMCO promise great efficiency and deliverability at lowest cost by integrating various department operations. There are solutions for Quality assurance, Supply Chain Management, Production management, Human resource, Asset management and much more. By using this organization can digitize their daily operations and help them to focus on other aspects of business [5].

RAMCO provide very effective solution in logistics management, it include all the operation and process related to transportation.

Distributors of McDonald's uses RAMCO because it offers great logistics management, the multi modal system that provide order planning, load consolidation, documentation, carrier selection and execution of whole shipping process. Delivery proof can also be obtained on mobile phone using this software [6].

COBRA software: It stands for 'Consolidation of Back office and Restaurant Accounting' It is a centralized software used by McDonald's for its process. It has various function related to material management, food & beverage costing and back office accounting. It covers these functions

- Material requisition
- Purchase
- Receiving
- Receipt management
- Financial reporting

Discussion and Conclusion

McDonald's Supply chain is handled in very unique way with very number of staff. after having 100 percent outsourcing McDonald's is growing 30 to 40 percent every year in India with implementation of supply chain management software in a a very effective way. This system of model can be used in other sectors also.

Conflict of Interest

None.

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How to cite this article: Pagare, Ajay Kumar, Ruby Kumari and Salman Elahi. "Supply Chain Management and its Tools used by McDonald's in India". *Ind Eng Manage* 10 (2021): 290.