

McDonald's Beefs Up Its Supply Chain and Processing Efficiency with SCA Planner™

The Bottom Line

McDonald's brought in SCA to optimize its supply chain and processing for the large volume of beef it sources daily. Using SCA Planner™ the team optimized sourcing, manufacturing operations, and distribution costs, enabling the company to develop forward-looking supply chain strategies including as related to supplier/product mix and plant allocation and investment. Through its improved analytic capabilities McDonald's realized significant savings over one to two years, with capacity for continuous annual improvement.

The Customer

Starting with a single California restaurant opened in 1940, McDonald's has grown into one of the world's largest and best-known fast-food restaurant chains. Today the company has locations in well over 100 countries, serving hamburgers, chicken nuggets, and other fare to tens of millions of customers daily.

The Challenge

McDonald's requires a large, ongoing supply of beef products to produce the millions of hamburgers and other beef-based items it sells daily. Given its purchase volume, the company sources beef trims from many suppliers, processing the trims and then shipping these to distribution centers. Volatility in beef-trim costs, region-specific demand, production capacity, and processing/distribution costs makes it an ongoing challenge for McDonald's to meet market demand at optimal total cost. Management sought capability to develop an optimal sourcing and processing plan to drive efficiency and cost savings from its complex supply chain. Specifically, McDonald's wished to optimize its supply mix, sources, and freight costs, along with developing a processing system that could drive efficiency across plants, respond to projected demand and contingency situations (e.g., supply disruption), and avoid bottlenecks, thereby reducing costs. The company turned to SCA for help.

The Solution

SCA worked closely with McDonald's to approach the challenge using the SCA Planner™ software system. The team developed a sourcing planning process for McDonald's complete supply chain with the embedded capability to optimize raw material sourcing, manufacturing operations, and distribution costs simultaneously. The new process helped the team develop the lowest-cost scenarios for procurement, product, and distribution

About SCA

For over a decade, SCA Technologies has provided category sourcing and cost management solutions that help industry leaders maximize profits by better managing market, supply and demand volatility. Supply chain, procurement, finance and corporate social responsibility professionals use the unique cross-functional approach of the SCA Planner™ suite to make better decisions for billions in category spend each year. With our patented technology, customers can finally address the tough challenges of volatile commodity prices, extended supply chain networks and corporate social responsibility tradeoffs in a coordinated manner. Our innovative, cloud-based solutions deliver increased visibility and quicker response, leading to an average 3-5% reduction in the cost of goods sold on an annual basis. Learn more at www.scatech.com

using beef-product-mix optimization, activity-based costing, and optimization of sourcing, processing, and distribution assignments for every planning cycle. The activity-based-costing method, for example, combines financial and operational modeling to capture the true cost of manufacturing activities and calculate the real costs of multiple projected scenarios. The overall result yields the optimal sourcing, processing, and distribution strategy for a given product using time windows within defined business constraints. Longer planning horizons help optimize supply chain design for integrated performance; shorter horizons optimize alternatives for fulfillment and cost choice.

Using SCA Planner™ enabled McDonald's both to develop strategies for forward-looking supply chain scenarios in response to shifting market features and to respond to near-term supply needs in a dynamic, cost-optimal manner. The company now understands more fully its raw-material-sourcing options, capacity, investment options, cost-benefit impact of new processing technologies, and sourcing and distribution alignment, and can optimize its supply costs with unprecedented foresight and accuracy.

The Outcome

McDonald's new analytic capabilities for supply chain and processing drove significant savings to be realized over two years, with additional ongoing savings for continuous supply planning through SCA Planner™. The savings were driven by the company's ability to optimize beef-supply mix, to improve plant utilization and efficiency (including through investments in new plants), and to source raw materials and freight with increased savings. Thanks to SCA, McDonald's now requires much less time to respond to market events and expends less effort on meetings and data collection/analysis devoted to supply chain and processing efficiency.