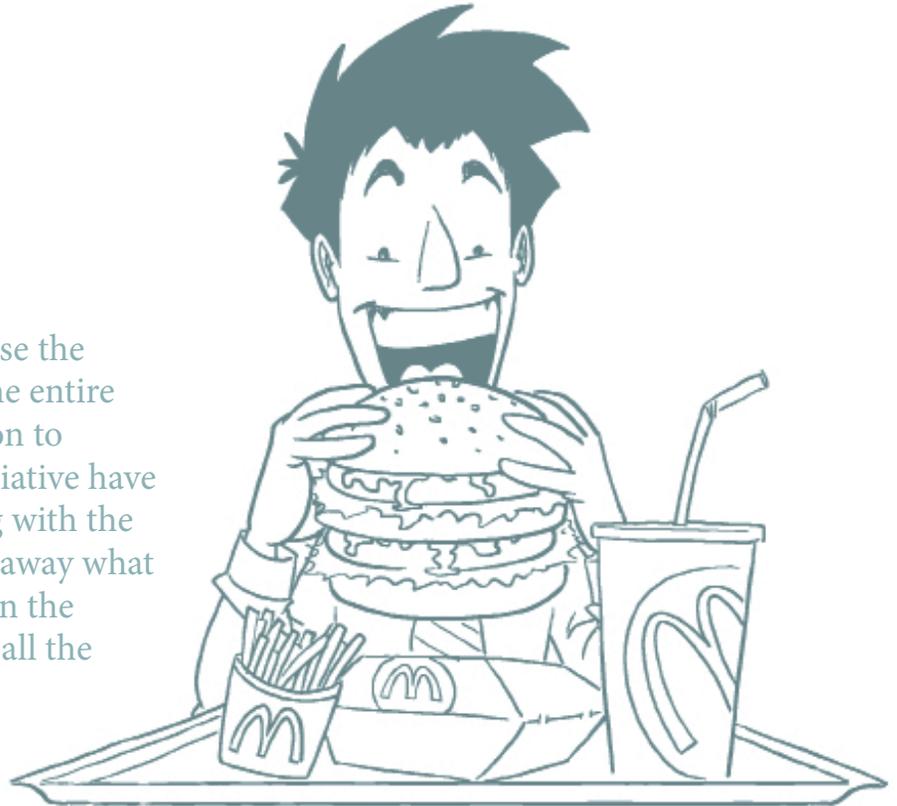


# ITALIAN SUPPLIERS “ENTER” McDONALD’S THROUGH THE ONLINE PORTAL



The web portal created to optimise the procurement process manages the entire relationship online, from selection to negotiation. Reactions to the initiative have been very positive: by registering with the portal, suppliers can see straight away what sort of requests they can expect in the world of McDonald’s and obtain all the information they need



Nowadays, the 510 McDonald’s restaurants in Italy don’t just serve hamburgers, french fries and Coca-Cola, but a lot of Italian food too, and more than 70% of the brand’s agro-food supplies are sourced in the country. Since 1985, when the multinational opened its doors in Italy, a happy balance has been achieved between American tradition and Italian habits. Two examples are the introduction of pasta salads in menus a few years ago and the network of McCafés offering not only coffee and cappuccino, but also a broad selection of pastries. This is 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, so much so that Italy is regarded as one of the countries with the strongest growth potential. Over the last five years, the brand has opened thirty new restaurants a year and created 1,000 jobs. Overall,

McDonald’s employs about 20 thousand people in Italy today and the company’s turnover is in excess of one billion euros. 85% of restaurants are operated under franchising agreements signed with 130 Italian entrepreneurs. The chain serves 700 thousand customers every day and 140 thousand tonnes of supplies are delivered to restaurants every year. This expansion is also encouraged by management’s focus on introducing innovative technology to improve business processes. This is the case of the introduction, a year ago, of a web portal developed by BravoSolution to support the purchasing process by allowing suppliers to register, submit their qualifications and study the multinational’s requirements and needs.

Today the platform is shared and highly appreciated across the entire company, opening up new opportunities in the process, as is explained by Georgios Karachalios, Head of Supply Chain, and Luca Montemezzo, Purchasing Construction Manager.

What type of purchases are handled by the portal today?

**Georgios Karachalios.** At first the portal was used mainly by two divisions which represent 80% of purchases in Italy, but today most corporate departments are involved.

The first is the Supply Chain area, 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.

**Luca Montemezzo.** The other area is Construction, or tenders for new openings and renovations: planning, civil works, interior decoration, maintenance, etc. We have also used the portal to manage tenders for special projects with unusual technical specifications, like exterior cladding for restaurants.

How do you use the portal?

**G.K.** We mainly use the portal in two macro areas: purchase marketing, or the search for new suppliers and products, on one hand and the management of the negotiation process on the other.

The portal allows us to optimise resources, improve the efficiency of our processes, reduce time to market and offer more choice from a broader and better developed supplier list than in the past.

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. The portal has made it possible to centralise our information, so that all buyers can easily find what they need, even if they have no direct knowledge of the "negotiation history" in a given category.

**L.M.** Our intention in the construction area was also to improve purchasing process governance by making tender and supply processes more transparent.

In addition, the accredited supplier list represents a fundamental factor in speeding up the selection process: suppliers enter the portal, answer specific questions, submit the documentation requested straightaway and play a proactive role in the qualification process. The portal also automatically monitors document expiries, including the welfare



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PURCHASING  
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**GEORGIOS  
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HEAD OF SUPPLY CHAIN

payment certificate (DURC), which is obligatory in the construction business

What other benefits have you seen, over and above quicker time to market and better process efficiency?

**G.K.** We have entered into new collaborative relationships: our product portfolio contains many items that suppliers can offer, including some they may not have considered, but which we are happy to assess. We have received a very positive reaction from suppliers, because by registering with the portal they can immediately see what we need here in



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The portal has also become an effective collaboration and communication tool between the company and suppliers.

In addition, the dematerialisation of the 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.

**L.M.** The impact in the construction area 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.

We will also soon be implementing 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. This represents an important addition to the portal.

**G.K.** Another interesting aspect is that while the portal is used 90% of the time for purchasing, it offers more than this.

**What other uses does the portal have?**

**G.K.** We also use the portal to organise tenders for sales. 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 aluminium cans, plastic and cardboard has a value and we aim to collect and sell it for the best price.

A second example of how the portal is used is 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.

**What areas of the company, in addition to purchasing, have contributed to the portal implementation project?**

**G.K.** We set up a team that worked on implementing the portal for about six months. In addition to the IT division, which looked after the IT side of things, there was the communication area, because the portal is also a relational tool with suppliers. The legal department was also involved to check that everything complied with our policies and current legislation.

**Has the procurement process been digitized in the other countries in which McDonald's operates?**

**G.K.** Italy is acting 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. Our approach is proving to be particularly efficient and could therefore represent a best practice to replicate worldwide.



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