

How to Evaluate Vendor Performance

McDonald's supplier of the year award offers tips for getting the most from your technology vendors

By Kim S. Nash

June 02, 2008 — CIO — McDonald's gave its first technology supplier of the year award to a small point-of-sale vendor that started as a defense contractor. ParTech Inc., in New Hartford, N.Y., beat out more than 100 other software and hardware suppliers, including IBM, Microsoft and Oracle.

A look at McDonald's award criteria shows a company clear on what it wants from key suppliers and one that knows how to measure it.

Any technology vendor doing business with McDonald's must please two constituents, says David Grooms, CIO of McDonald's North America. Grooms says a vendor has to satisfy him by, for example, living up to service level agreements. (Here are tips on how to craft a good SLA.) But just as important are the 85 percent of McDonald's 13,700 restaurants in the U.S. that are owned by franchisees, whom McDonald's the corporation considers its customers.

A tech vendor must "be accessible at an individual restaurant level" across the country, Grooms says. Not just to Grooms in his office in Oak Brook, Ill. "It's one thing to make the CIO happy and it's another to make customers happy."

To figure out which technology supplier was best, Grooms designated four or five members of the technology department to lead the selection process. They defined broad areas to assess, including customer satisfaction, product and vendor reliability, and how well the vendor helped McDonald's achieve business goals. The internal mantra for McDonald's IT right now is "Simplify, modernize, standardize," he says.

The team started by gathering data already available: service level agreement reports and vendor scorecards which McDonald's has been keeping on its technology suppliers as part of its vendor management process. Using those criteria, the team narrowed the list to fewer than five contenders, he says.

Then McDonald's brought the vendor evaluation project to its store technology board, which is a group of restaurant owner-operators that meets three or four times per year to evaluate new technologies and to keep tabs on how existing technology is working for franchisees across the country. The board discussed what they've been hearing in the field about those vendors on the short list. A vote "overwhelmingly" favored ParTech, Grooms says.

McDonald's Criteria for the Best IT Vendor

The data, plus experiential feedback from the store technology board and items such as letters written by other owner-operators made ParTech the clear choice, Grooms says. The key award criteria were the following:

- **Pricing**, meaning value for the money but also the vendor's flexibility in bargaining. ParTech supplies about half the point-of-sale systems at the 13,700 McDonald's restaurants in the U.S., Grooms says. That's a large foothold that has produced negotiating leverage on both sides. McDonald's doesn't necessarily want to rip that technology out of so many locations and ParTech would like to stay in good stead to gain future business. (However, when negotiations go wrong, many experts say that you still shouldn't sue your technology vendor.)
- **Innovation**, not just in new features but in new approaches to solving your problems. How quickly and creatively does the vendor respond to mishaps involving its product? There's always an errant backhoe somewhere that takes out a restaurant's connectivity at some point in a given year at some restaurant in the U.S., Grooms explains. Does the vendor drop other projects to come help? He likes to see that "extraordinary" response, he says.
- **Reliability**, which can be measured in a scorecard by tracking calls to the help desk about a particular piece of software or hardware. Downtime and franchisee complaints are other data points monitored. McDonald's IT department also reviews vendor compliance with service level agreements every quarter.
- **Partnership**, part of which means vendor reps pricking up their ears as they interact with other similar customers, and passing new ideas they see for how to use technology. "If they're willing to share that with McDonald's, that's a good thing," Grooms says.