

McDonald's streamlines electronic sales with IBM know-how and PC-EFTPOS system



Overview

■ **The Challenge**

Iconic restaurant chain McDonald's in Australia wanted to leverage its new pc-based point-of-sale system to rationalise their EFTPOS network, dramatically reducing infrastructure, maintenance and operating costs.

■ **The Solution**

In May 2005, McDonald's Australia engaged IBM Australia to implement a PC-EFTPOS system that would integrate directly with its point-of-sale system and use its existing IP network to connect securely to the bank handling the transactions. After a series of pilot projects, IBM implemented the new system across 720 restaurants within three months.

■ **The Benefits**

The new system improves customer service through reliability. McDonald's has also achieved considerable savings by reducing infrastructure, maintenance and operating costs. IBM's project management ensured the project minimised disruption to operations and met an aggressive timeline.

About McDonald's Australia

In 1971, McDonald's Australia opened its first restaurant Yagoona, NSW. In 2006, McDonald's serves more than a million customers each day. The company employs more than 56,000 people in 750 restaurants across Australia. Seventy per cent of these restaurants are owned and operated by individual franchisees.

Customers and staff say "I'm not lovin' it" to outdated EFTPOS

McDonald's is an iconic restaurant chain worldwide and has operated in Australia for 35 years. From a single restaurant in Yagoona, NSW, McDonald's now has 750 outlets around the country, serving more than a million Australians a day.

With so much customer traffic, high service levels are essential. Fast and efficient service is a hallmark of the company's reputation. To ensure this reputation was upheld, McDonald's needed a fast and accurate payment system, whether customers were paying cash or using electronic funds transfer at point of sale (EFTPOS).

IBM first made sure the stores had sufficient network connectivity to handle the PC-EFTPOS system, then updated the back-end PCs that were running the point-of-sale terminals and installed the PC-EFTPOS software. It leveraged the old EFTPOS system pinpads, and the old EFTPOS cabling, peripherals & receipt printers became redundant. Finally, IBM staff set up the point-of-sale terminals to handle integrated PC-EFTPOS transactions.

In August 2005, IBM conducted a second pilot in 20 stores, followed by a rollout to 70 stores the next month. "IBM began the program by immersing themselves in McDonald's corporate culture," says Srinivasan. "They visited every store to ensure they understood our requirements. They suggested a time frame for the rollout and were able to meet our cost requirements and business demands."

The final rollout began in June 2006 and took three months. In total, IBM implemented the PC-EFTPOS solution in 720 restaurants around Australia.

"When we first started accepting credit and debit cards in 1999, our old proprietary based point-of-sale terminals did not lend itself to allowing an EFTPOS solution which could run on the same network so we had to build an entirely separate infrastructure. This system was unreliable and had significant overheads for connectivity, support and maintenance."

Bhanu Srinivasan, AVP IT Director at McDonald's Australia

A major disadvantage of the old EFTPOS solution was the number of failure points in relations to infrastructure, hardware and ease of troubleshooting.

The old system had high running costs. McDonald's outlets were mostly using Telstra Private Internet Protocol connections for regular network traffic, but the EFTPOS system required a dedicated ISDN line in each restaurant. "By early 2005, we had updated our point-of-sale system to networked terminals, but we had the same EFTPOS facilities," said Srinivasan. "It was time to move to the latest technology; one that could increase efficiency and reduce costs."

IBM delivers smooth PC-EFTPOS implementation

McDonald's Australia began investigating a way to upgrade its EFTPOS systems to remove these inefficiencies. It identified a PC-EFTPOS system that would link EFTPOS payments directly to its point-of-sale system. It could also use its existing IP network to connect securely to the bank handling the transactions.

In May 2005, McDonald's Australia engaged IBM Australia to implement the PC-EFTPOS upgrade across all its restaurants. IBM ran a pilot project in three stores to understand how the solution would fit in with McDonald's existing infrastructure and develop a template for rolling it out to the remainder of the company's restaurants.

Reliability and efficiency better serve McDonald's patrons

While it will take time for quantifiable cost savings to become apparent, the PC-EFTPOS solution has already started to demonstrate its potential for improving efficiency.

The new system allows customer service staff to ring up items on the point-of-sale terminal and send the transaction total to the PC-EFTPOS pinpad. Customers swipe their cards, enter their PINs and send the transaction for processing.

The PC-EFTPOS system then sends an 'accepted' or 'declined' response back to the point-of-sale system. "EFTPOS transactions are automatically tallied in the point-of-sale transaction database"

The PC-EFTPOS pinpad connects directly to the point-of-sale terminal and uses the same printer, increasing available counter space. All transaction information is printed on a single receipt, reducing the cost of printer rolls.

By operating over the same data network as the point of sale system, the PC-EFTPOS system eliminates the need for expensive dedicated ISDN lines.

"We wanted to improve reliability, minimise the upfront costs and reduce ongoing costs and we are well on the way to achieving those objectives. In a few months we'll have solid data on performance improvements and cost savings."

Bhanu Srinivasan, AVP IT Director at McDonald's Australia

IBM's project management ensured minimal disruption to McDonald's restaurant operations and customer needs and met an aggressive three month timeline for the final rollout.

The new PC-EFTPOS infrastructure also allows McDonald's to deliver new service initiatives such as a customer loyalty card that staff swipe using the EFTPOS pinpads.

"IBM was fantastic to work with," said Srinivasan. "From the pilot project through to rollout, I don't think we could have had a better project manager – 10 out of 10."

For more information

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Level 13, 601 Pacific Highway
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Printed in Australia
01/07

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Designed by the IBM Grafxlab.
GL_8322

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