

The Golden Arches of Opportunity



After Years of Effort, Pilgrim's Pride Finally Breaks Through with McDonald's

For years, McDonald's has been the one big restaurant chain that Pilgrim's Pride could never seem to land as a customer. The Golden Arches were kind of like the brass ring that we could never grab, despite repeated attempts at forging relationships with key players at McDonald's.

Until now.

Thanks to a new joint venture between Pilgrim's Pride and Joy Wallace, a successful businesswoman in Dallas who spent five years in sales with Pilgrim's Pride back in the early '90s, we will soon be providing nuggets, patties and breaded fillets to three McDonald's distribution centers in Texas and Arkansas. These distribution centers serve approximately 1,400 restaurants, or roughly 10 percent of its U.S. store base.

At press time, Pilgrim's Pride was in the final stages of matching McDonald's specifications on each of the products, which will be supplied by our prepared-foods plant in Mt. Pleasant, Texas. If all goes as planned, products will begin shipping soon to McDonald's distribution centers in Grand Prairie (near Dallas), Conroe (outside of Houston) and North Little Rock, Arkansas.

Annual volume is expected to be more than 40 million pounds.

For Pilgrim's Pride, the chance to finally work with McDonald's – arguably the best-known restaurant chain in the world – is a huge growth opportunity. Until now, the Oakbrook, Illinois-based company has relied on just two suppliers – Tyson Foods and Keystone Foods – for all of its chicken. But thanks to the enormous popularity of its \$1 menu, which includes a chicken sandwich, and new products like Snack Wraps (chicken strips inside a soft burrito wrap), McDonald's has targeted chicken as one of its key growth drivers. Indeed, McDonald's recently announced that it has surpassed KFC as the biggest seller of chicken in the United States, with \$5.2 billion in sales over the past 12 months.

“McDonald's recognized us as being one of the largest chicken suppliers to food chains and distributors. They understood that we couldn't have grown this large without taking pretty good care of our customers,” said Bob Wright, executive vice president of sales and marketing for Pilgrim's Pride.

In addition, said Wright, McDonald's has been working hard to expand its supplier base to better match the ethnic diversity of its customers and franchisees.

Eighteen months ago, Pilgrim's Pride executives were able to set up a meeting in Chicago with the leader of McDonald's global supply chain, who told them that the chain would be willing to consider Pilgrim's Pride if it could find a qualified minority-owned partner with which to work.



Pilgrim's Pride eventually teamed up with Wallace, who once worked for our company as director of sales administration and later helped develop our school lunch program. She left in 1994 when Pizza Hut recruited her to run its "non-traditional" business, including school lunches. Four years later, after creating a successful "pizza pack" program that allows school cafeterias to assemble, cook and serve fresh, restaurant-quality pizzas on site, she bought the assets of the business from Pizza Hut and opened her own company, J.O.Y. Foods Inc., in Dallas. Today she is the exclusive supplier of the Pizza Hut Pizza Pack to primary and secondary schools, and has won a number of awards.

"McDonald's knew it was important to add a third (chicken) supplier," said Wallace. "On top of that, their franchisees had been emphasizing the need for more diversity on the supplier side."

To service the McDonald's business, Pilgrim's Pride and J.O.Y Foods have formed a joint venture called Merit Provisions Inc. J.O.Y. owns

51 percent of the company and Pilgrim's Pride owns 49 percent. Under the arrangement, Pilgrim's Pride will initially provide the chicken and serve as co-packer, meaning we will provide the finished product to Merit, which then sells the product to McDonald's.

"Ultimately, as the business grows, we will open our own facility and Pilgrim's Pride will be our supplier of choice for raw materials," Wallace explained.

So after years of trying to break through with McDonald's, Pilgrim's Pride finally has a foot in the door with a company that prizes long-term relationships with a few key suppliers. But as Wright pointed out, the real work begins now.

"It's a double-edged sword," said Wright. "On one hand, it's a tremendous opportunity with a world-class restaurant company that has a huge international presence. On the other hand, we'll have to have our 'A' game and make sure we consistently deliver the products and service they expect for their customers."



Wallace No Stranger to Pilgrim's Pride

During her five years with Pilgrim's Pride, Joy Wallace (pictured at right) had a hand in developing a number of products that are still popular with customers today. Perhaps the most popular is Chicken RING-THINGS™, the doughnut-shaped nuggets that are a hit with school children.

"At the time it was one of the most successful launches ever at Pilgrim's Pride," said Wallace, who worked here from 1989 to 1994 and created a marketing campaign for the product featuring two cartoon characters, Pride and Joey.



Back then, Pilgrim's Pride would recognize its top five performers with a "President's Circle" award. Wallace was among the winners who received a free Cadillac to use for one year.

Today she's excited to be working again with many of her former colleagues, who she has seen from time to time at food industry conferences. "As a small businessperson, it's an awesome opportunity to work with an industry leader like Pilgrim's Pride. The spirit of what Mr. Pilgrim built is still very much in place there. I think the joint venture will be a great opportunity for both of our companies," she said.