

Unlocking Value in FMCG Supply Chain



Critical Success Factors

Emergence of new channels and proliferation of new products are putting tremendous pressure on the supply chain of FMCG companies.

CEO's Dilemma

- How do we achieve growth by enhancing freshness and availability?
- How do we support brands across life cycles?
- How do we manage new channels through more effective network?

On the one hand where new retailing formats help increasing sales, on the other hand they also give opportunity to buyers to look at the product before buying it. This makes the freshness and availability of products a very important determining factor in sales proceeds. The critical success factor for the company is to modify sales and operations (S&OP) process to compress planning cycle.

Company has products in all stages of lifecycle. Designing a differentiated supply chain and aligning it with sales is another critical success factor.

Raw materials that mainly comprises of commodities, account for more than 80% of total expenditure. Designing a dynamic network configuration owing to seasonality in commodity price movement is highly critical.

Another area generally overlooked by organizations is transportation economies of scale. Right mode mix for primary freights can bring about significant cost savings. Route planning and depot operations can reduce secondary freight cost while enhancing distributor satisfaction levels.

Achieving New Highs

Using the supply chain transformation approach, ECS is currently engaged with a leading FMCG player to unlock substantial value through Sales & Operations Process.

Benefits Unlocked

- 7% increase in top line due to reduction in lost sales
- 10% reduction in freight cost
- 30% increase in inventory velocity

Sound diagnostics for identifying opportunities

ECS has used a well-structured methodology to unlock the opportunities in all supply chain areas. Industry standards, benchmarking data, internal benchmarking, check on usage efficiency, qualitative analysis were some of the tools used in this regard. We identified an opportunity to improve the top line for the leading brands by as much as 7%, increase inventory velocity by 30% and reduce freight costs by 10%.

A diagnosis of the S&OP process, distributor stocking pattern, depot operations, and transportation indicated various avenues of value leakage such as reducing distributor stock outs, defining distributor stocking norms, fine tuning planning cycle, and optimising supply chain footprints. The rationalization of processes across these channels presented an opportunity for unlocking significant value.

The effort involved transforming the processes in all the identified areas, and implementing them with the help of people and system.

Burning Issues

- Significant Sales skew towards the end of month.
- Migrating from monthly to weekly planning cycle.
- Reducing distributor stock outs and creating stocking norms.
- Aligning sales and supply chain objectives by identifying the key result areas (KRAs) for all the divisions.
- Designing of dynamic supply chain configuration for seasonality in commodity price movement.
- Designing a mode mix for primary and secondary freight.

Besides the tangible cost benefits realized during the FVS implementation, the intangible benefits that resulted as a part of the initiative were:

- Involvement of the people during the course the project led to a sense of ownership of the proposed initiatives
- Awareness of the tools and techniques of the FVS approach developed a focus on cost management

With the power of the process driven approach of Full Value Spend Implementation, the client would achieve cost reduction in all the expenditure areas.

Contact for details

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ECS is a premier business management-consulting firm in India. Its consulting practice covers **Services, Strategy, Operations, Human Resources & Change Management, Supply Chain Management and Full Value Spend.**

We partner all our clients from concept to implementation. Typical results of implementation have been a significant reduction in turnaround time and cost along with increased productivity and reliability of business processes.

We have delivered value to more than 200 Indian corporates. Some of our leading partners include **HLL, ITC, Philips, Agro Tech Foods Limited, Marico, Goodlass Nerolac, Amara Raja Batteries, Jayco & Whirlpool.**

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