



InReach
GLOBAL CONSULTING

Integrated and Optimised Supply Chain (I&OSC) Case Studies

Case Study

Integration and Optimization of Supply Chain (inc. Manufacturing Facilities) in Asia Pacific

Key info:

Client: Multinational Consumer Goods Company

Geography: Business units in 17 countries in Asia Pacific + Duty Free unit

Timing of the project: From: October 2008 to March 2010 – 18 months

Project team: 8 Senior Managers + 1 Project Manager + SAP consultancy

Partner involved: Dhammika Premarathna, Partner at InReach Global Consulting.

What was the issue/challenge?

For several years, our client's Supply Chains and the associated Manufacturing Facilities in Asia Pacific, operated independently to serve their local market in isolation.

Due to intense competition, the client needed to make a step change in its Supply Chain/Manufacturing performance (Cost, Quality, OTIF, Service, Speed) and bring innovations to the market before its competitors.

It had also become clear that addressing this issue independent unit by independent unit was not an option in providing the 'Step Change' required.

What was the objective?

To develop a fully integrated supply chain solution that addresses the current issues and is flexible enough to adjust for future strategic initiatives for the Region.

What was the approach?

A holistic solution was developed adopting the 'End to End' integration and the 'Above Market' Supply Chain management principles and delivered through a well-managed 'Change Management' program –

- a. Strategic decision making rights at the aggregated 'above market' level.
- b. Integrated Supply Planning (Production, Material, and Delivery) at above market and, Production and Material scheduling at in market (Factory) level.
- c. Optimizing total supply chain cost including fiscal benefits.
- d. Defining the strategic role of every individual factory and investment allocation based on business priorities and market value.

- e. Adopting 'Direct' and 'Indirect Procurement' principles and collaboration with 3rd parties.
- f. Out-sourcing 'Non-core' areas

The solution covered:

- Establishing a customer facing, above market Supply Chain Service Center (SCSC) to serve 25 markets and Duty Free Customers in the Asia Pacific Region and to manage the inter-regional Supply Chain with necessary Legal/Fiscal structure.
- Creating the structure and processes required to manage Consolidated Demand, Collaborative Factory Capacity, Consolidated Material and international Distribution planning at the SCSC.
- Creating a Customer service unit at the SCSC to enhance Consolidated Demand and Customer Service management.
- Establishing a logistic organization in the SCSC to manage international inbound and outbound sea/air logistics.
- Establishing an above market Procurement Organization at the SCSC to manage aggregated and consolidated demand for direct and Indirect material, using category management principles.
- Developing an above market S&OP (Sales and Operational Planning) process to support the strategic and operational aspect of the above market work.
- Deploying an SAP tool to capture the demand and enabling above market Material Planning.
- Establishing an above market New Product Introduction process.

What were the results?

- Operational Cost saving/Avoidance – 11%
- OTIF delivery improvement – 15%
- Number of Innovations deployed before competitors – 7
- Elimination of inferiority of the Product quality Vs Competitor
- Material Cost reduction – 6%
- Common Material Inventory Reduction – 20%
- Capex saving – 24%
- People reduction – 5%
- As well as: Better career opportunities; Out-sourcing of non-core activities; New above market management skills; Better collaboration with Marketing and Operations; Enabling global decision making.
- All the results incl. project completion time line surpassed the expectation.

What were the main obstacles?

- Buy-in from the many stakeholders to adopt 'Above Market' operating philosophy.
- Rapid increase in demand for innovations and the time compression for delivery with new technology during the project.
- Steep learning curve required from the people in the Above Market entity to acquire 'Above Market' operating skills.
- Limited agility of the complex material suppliers to respond to integrated demand.

Case Study

Consolidation of sundry spare parts (R&RS) suppliers in Indonesia.

Key info:

Client: Multinational Consumer Goods Company

Geography: Indonesia - Manufacturing facility

Timing of the project: From: March 2001 to April 2001 – one month

Project team: One manager + 1 Assistant

Partner involved: Dhammika Premarathna, Partner at InReach Global Consulting.

What was the issue/challenge?

A large manufacturing facility in Indonesia required over 70 types of sundry spare parts (Nuts and bolts, bearings etc) for daily replacements due to normal wear and tear. A full time procurement person was managing over 30 suppliers, yet the parts ran out causing long machine shut downs and spare part prices escalating on a yearly basis. In addition, the administrative process (invoicing etc.) was cumbersome and ineffective.

The client needed an immediate solution to avoid short supply to the highly competitive market and minimize impact on manufacturing cost.

What was the objective?

To develop a dependable and sustainable sundry spare parts supply system that eliminates 'Out of stock' of sundry spare parts and reduce spare parts cost. In addition, for the new system to be flexible enough to be transferred to other factories.

What was the approach?

- Understanding consumption pattern of each spare part
- Assessing production loss due to lack of sundry spare parts
- Analysis of data using 80:20 principle
- Evaluating sundry spare parts pricing structure
- Understanding the vendor base and the supply chain of the vendors
- Gathering intelligence of the business model of the vendors
- Rating each vendor for past supply performance

A holistic solution was developed adopting the principle of consolidated supply through one certified vendor.

The solution covered:

- Short listing 03 candidates for being selected as a single supplier and calling quotation for consolidated supply and selecting the single vendor (supplier) on the basis of quality, cost and service level.
- Agree on the prices of spare parts based on consumption trends.
- Supplier agreeing to hold and manage inventory on his premises.
- Agreement with the single supplier to provide a daily, free of charge, spare parts delivery mechanism.

What were the results?

- Sundry spare parts cost saving – 15% (due to economies of scale + direct sourcing)
- ‘Zero’ out of stock and no production delays due to sundry spare parts
- Consistent quality of sundry spare parts
- Removal of multiple invoicing and personal time wasted
- Building foundation for better supplier- end user partnership

All the results incl. project completion time line surpassed the expectation. The solution was a win-win for both the client and the vendor.

What were the main obstacles?

- Shifting the mind-set to trust the vendors in a challenging external environment.
- Accepting a monthly consolidated invoice from control point of view.