

Supply Chain Business Process Redesign Helped Reduce High Levels of Finished Goods Inventory



SITUATION

In a B2C environment the customer was operating in a high demand variability and low order visibility situation. Also, the execution of production planning was difficult due to shifting bottlenecks as per the product mix.

IMPACT

With uncertain demand and lack of scientific inventory management, the customer was carrying very high levels of finished goods inventory.

RESOLUTION

The ITC Infotech supply chain management team redesigned the customer's end-to-end supply chain planning process and defined various policies for inventory and production planning. The solutions were implemented using excel tools and SAP.

The Customer

The customer is a global leader in spices and vegetable ingredients operating in USA, China and Vietnam. Their product portfolio includes dehydrated vegetables, spices, tomato products, and specialty vegetables. They are the world's number one source for garlic, onions, capsicums, tomatoes and specialty vegetables.



The Need

The customer was carrying very high finished goods inventory. Increasing expectations from their clients combined with low order visibility and high demand variability was also putting high pressure on the supply chain team to deliver in a shorter time frame. All this needed a re look at the complete supply chain process to reduce inventory levels without reducing the high service level.

The Solution

The supply chain consultants of ITC Infotech interacted with the customer's key stakeholders to acquire critical business data. This data was then analyzed to identify potential improvement areas to design and implement solutions to improve the overall effectiveness of supply chain planning. The project was divided into the following 4 phases:

Identification of improvement areas	<ul style="list-style-type: none">• Study the complete supply chain planning process from forecasting to manufacturing• Identify gaps and areas of improvement to facilitate reduction in inventory cost and improvement in service delivery
Design of solution	<ul style="list-style-type: none">• Design the complete manufacturing business process• Design forecasting models, inventory replenishment policy and norms, production planning/ scheduling logic based on the identified gaps• Design process of generating consolidated demand based on statistical forecast, customer inputs and other market intelligence
Identify implementation platform	<ul style="list-style-type: none">• Evaluate feasibility of implementation of the solutions in existing SAP ECC system, excel based tools and identify need for other alternative tools• Prioritize implementation of the solutions based on the above analysis
Implementation	<ul style="list-style-type: none">• Configure the solutions in SAP ECC wherever possible• Build excel based tools for the solutions not feasible to be implemented in existing SAP ECC

ITC Infotech further carried out the following activities during the project:

- Business process redesigning for end-to-end supply chain planning processes
- Statistical forecasting model design
- Definition of inventory norms for finished goods, raw materials, packaging materials and WIP to reduce overall inventory

- Designing of production planning strategy based on demand variability, volume and production capacity
- Designing of production scheduling logic considering all operational and demand parameters and implementation of the same using macro based excel tool
- Implementation of forecasting, MRP and inventory management models/ logic in SAP ECC

Business Benefits

- Achieved 12% reduction in finished goods inventory
- Better raw material planning through significant improvement in forecast accuracy
- Longer product runs owing to better order visibility due to improved inventory planning and forecasting
- Improved due date commitment and a service level achievement of 94% at the optimal inventory level
- Improved performance measurement through identified KPIs

About ITC Infotech Business Consulting Group

The Business Consulting Group (BCG) at ITC Infotech is a converging point for business & IT solutions. We aim to transform business performance, bringing a strategic perspective on process improvement and IT enablement. Our team blends domain experts and consultants, bringing unique capabilities to discover and resolve business concerns of the day.

Our expertise spans Consumer Goods, Retail, Process Industry, Logistics & Transportation, across key business functions such as product development, production, supply chain management, sales and marketing management, field force management, and customer relationship management.

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