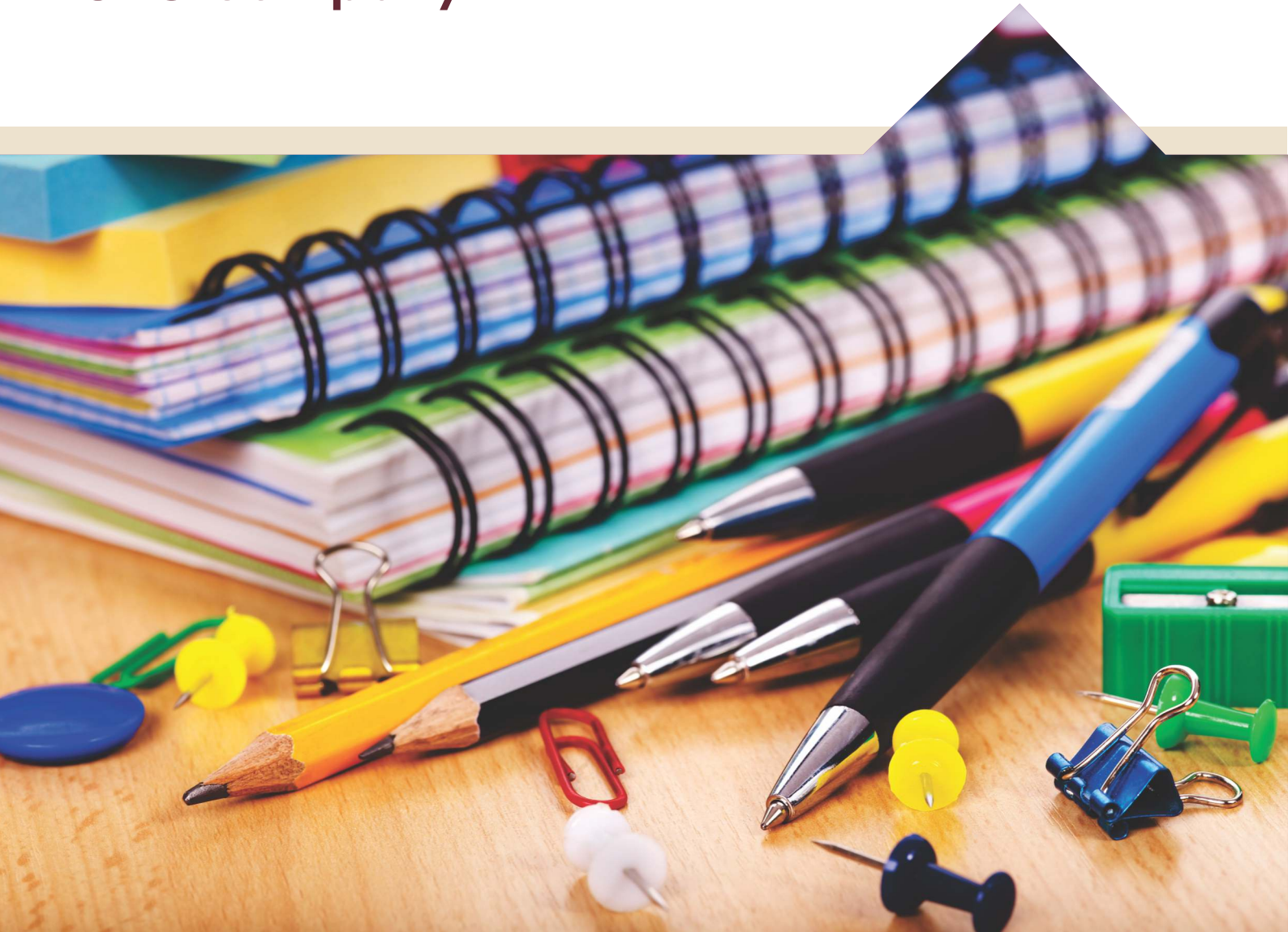


# Network Optimization leads to cost benefits for a leading CPG company



## **SITUATION**

The customer had a highly seasonal nature of business and a diverse product portfolio. This resulted in multiple pressures on the supply chain with scattered contract manufacturers and SKUs.

## **IMPACT**

The seasonality of the business led to varying values in sales, product life and supply chain length. The contract manufacturers were struggling to meet demand & supply requirement and the SKUs needed a category specific view of the supply chain.

## **RESOLUTION**

We conducted a network optimization exercise of the customer's supply chain process that led to reduced network complexity and cost benefits.

## The Customer

The customer is a leading stationary brand in India managing marketing, sales and distribution of products across the country. Contract manufacturers govern the production process for the brand, which involves planning for raw material procurement based on the product's demand and supply trend.



## The Need

The nature of the business is highly seasonal with approximately 3.5 times sales in peak season vis-à-vis average monthly sales. The school season (ranging about 5 months) contributes to 60% of the annual sales. This puts multiple pressures on the supply chain e.g. manufacturing capacity vs. inventory build-up, execution capacity, warehouse space etc.

The demand is also highly fragmented across a portfolio of 700 Stock Keeping Units. Besides, there is regional preference on size, binding and rulings for notebooks based on geographies. Notebooks usually sell in sets where a small contribution of odd ruling can be critical for the higher selling ruling variant, which requires these odd rulings to be retained. For another product category, each model means 6 SKUs with 3 colour variants. Currently there are ~15 active models.

Apart from end-user preference, the demand is largely influenced by external factors such as syllabus and recommendations by individual schools, making it relatively difficult to forecast.

The market SKUs need a category specific view of supply chain e.g. the sales value may vary from ~50 INR/Kg to ~2000 INR/Kg, product life may vary from 6 months to ~5 years and supply chain length may vary from 20 days to ~6 months.

All the above factors amounted to the identification and maintenance of specific supply chain parameters for each category.

## The Solution

The solution primarily focused on supply chain framework finalization related to production, inventory, required space at centralized warehouses, pre-build inventory strategy and transportation mode finalization. Due of the vast product portfolio, the demand segmentation exercise was done before optimization and decisions were supported based on various segments of demand. Strategies were devised for various product categories regarding direct serve to market vs. hub & spoke model and

accordingly devised a pre-build strategy at centralized warehouses and hubs. The solution also helped the customer to reduce the parcel mode of transportation, which was a more expensive option for servicing the customers.

## Benefits

The solution comprised a framework that helped the customer reduce network complexity and realize cost benefits.

- Production strategy – lean season vs. peak season and accordingly gear up strategy
- Pre build strategy and space allocation in a time phase manner
- Inventory turns increased from 2.5 to 4.05
- Overall supply chain cost reduction by 2.1%
- Movement by parcel reduced from 40% to 30%

### 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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