

# Synchronizing Contract Manufacturers for Controlled Costs & Understanding Impact of its Risk Mitigation Strategy



## **SITUATION**

The customer needed a cost effective and rationalized contract-manufacturing base and an optimized product mix for each manufacturer.

## **IMPACT**

The existing network was not cost effective and the customer did not understand its impact on some region-specific contract manufacturers.

## **RESOLUTION**

We devised an optimized network model built on Llamasoft Supply Chain Guru that considered end-to-end cost and helped the customer decide the product mix required for each of their contract manufacturers.

## The Customer

The customer is a market leader in manufacturing safety matches in India. They manage sales and distribution of the product across the country. They collaborate with various contract manufacturers who plan for raw material procurement based on customer's demand, supply plan, and carry out their production process.



## The Need

The customer's recent acquisition of a safety match manufacturer and integrating it with the existing business called for a cost effective and rationalized contract-manufacturing base, and an optimized product mix for each manufacturer. However, the distribution chain of the company had to remain as is.

As the client had already identified some region-specific contract manufacturers as part of risk mitigation strategy, they needed to understand the financial impact of the same strategy considering full capacity utilization of the contract manufacturer.

## The Solution

ITC Infotech's expert consultants provided a successful network optimization model that helped the customer decide a supply chain framework with end-to-end network cost visibility. The solution considered all cost elements of supply, production and logistics coupled with inherent value chain constraints, credit rules and the complex tax structure in India. The model was built on LLamasoft Supply Chain Guru that enabled incorporation of all data elements and constraints. It included complexities related to supplier capacity constraints, procurement contracts, multi BOM scenario, production activity wise capacity constraints, product mix constraints, inventory policies, truckload constraints, serviceability factors and transportation policies.

The solution also helped the customer decide the product mix, raw material sourcing from suppliers for contract manufacturers and distribution lanes to warehouses for finished products.

## Business Benefits

- Reduction in the distribution and raw material & packaging material sourcing cost
- Firm distribution network to the tune of 90% and 10% flexible network

- Identify the increase in supply chain cost due to risk mitigation strategy and contract manufacturers who have contributed to the same
- Reduction in monthly production & procurement requirement deviations
- More visibility into dispatch plan helped in planning truck requirements with logistic providers more efficiently
- More visibility to the business for negotiating contracts with contract manufacturer, logistics providers etc
- More visibility of space required at manufacturing premises for raw material and finished goods

### 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.

For more information, please write to:  
[contact.us@itcinfotech.com](mailto:contact.us@itcinfotech.com)

[www.itcinfotech.com](http://www.itcinfotech.com)