



BEING EFFECTIVE

PRINCIPLE-CENTRIC SUPPLY CHAIN DESIGN IS CRITICAL TO ENSURE GREATER AVAILABILITY TO CUSTOMERS ON A SUSTAINABLE BASIS.

BY BINDU GOPAL RAO

EFFECTIVE SUPPLY CHAIN MANAGEMENT (SCM) is key in any business. Having the right tools and procedures helps to ensure the availability of your products at the right place and the right time. Again, with most organisations, increasing focus to become customer-centric, building strong relations and having conversations that enable them to pre-empt demand is becoming key.

“Our organisational structure is aligned to the customer presence, and adequately resourced to ensure

representation in the markets that we serve in. All our core processes in the value chain are well defined, understood and executed with adequate support from IT platforms. We have extensively developed our ERP capabilities and continuously scout for improvement opportunities that assist us in improving our customer serviceability. To ensure availability of our products at the right place at the right time, we follow an advanced planning process aligned with a Sales & Operations Planning (S&OP) methodology,

1. The third party logistics (3PL) concept is still evolving in India, and most companies prefer to capitalise on their core capabilities.



where all relevant stakeholders from the business deliberate upon the demand and fulfilment plan for each customer. Detailed movement plans are prepared, delivery compliance is actively monitored and revisions are made to ensure customer serviceability. Our supply chain network design is quite mature and uses rail, road, sea and container modes to ensure availability of products at the right place and right time," says **R S Jalan, MD, Gujarat Heavy Chemicals Ltd (GHCL)**.

Likewise, 4TiGO's key value-adds for enhancing the effectiveness of their customer's supply chain are providing supply chain visibility, integrating the 4TiGO system with the customer's supply chain systems to facilitate the same, and over a medium-term/long-term improve the efficiency and utilisation of the fleet owners, and thereby the value that gets delivered to the end customer.

EXCELLENCY MATTERS

For efficient SCM, the organisational culture and values need to promote excellence in various processes, so



they can work in cohesion. "4TiGO provides access and visibility to each player of the supply chain value-stream through a single technology platform that facilitates the integration of processes of diverse organisations. The primary challenge has always been the pace of adoption of technology by all players – and in road transportation, it has been the drivers of the fleet owners," avers **Anjani Mandal, Fortigo (4TiGO)**.

"We draw strength from our core values of respect, trust, ownership and integrated team work, which also act as our guiding principles in day-to-day operations. With decades of operational experience, industry know-how and conscious learning, we have been able to effectively address process excellence opportunities and challenges so far, and aim to continue to do so in future as well. We have been engaging with external experts and renowned consultants to adopt the latest and best practices in our SCM operations in order to bring further focus on customer serviceability and build agility in the system," says Jalan.

In any organisational setup, integration of management interfaces and structural dependencies are vital for seamless operations. Hence, having robust work systems enabled by efficient processes, a competent and motivated workforce, well supported by technological infrastructure, is paramount.

COST FACTOR

With rising technology and input costs, it is important to curb other spends and SCM can be leveraged to continuously reduce operating costs as well. The 4TiGO platform's technology helps track the cycle-time of each element of the process of order-to-cash for the service providers of the organisation's supply chain.

"This provides insight on actions to be taken for improving overall efficiency – whether in loading, unloading at customer site or the unnecessary wait-time at toll booths, or even check-points of 'clean' consignments," says Mandal.



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2. With GST coming in, corporates have been able to reduce the number of their warehouses, thus bringing down costs.



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3. A combination of air, rail, road and sea transportation methods makes for a mature supply chain network.

4. An agile supply chain management strategy is key to addressing changing customer needs.

Mostly, raw material sourcing strategies along with forward planning process clearly identifies procurement plans from multiple sources, thus reducing dependence on a single source and providing a platform to take advantage of demand-supply imbalance scenarios. "Our focus has all along been on continual improvement through waste elimination, wastage reduction, and value addition carried out by teammates (Kaizen - small improvements) at shop floor and office locations throughout the year. This helps to improve yield and productivity. On the spot problem-solving (Jidoka - go and see) is encouraged to bring all those concerned at the problem spot to take immediate corrective/preventive actions," says **Sumeet Aggarwal, MD, Midmark (India)**.

Most organisations also engage with suppliers at a partnership level, where they develop their capabilities, competence and infrastructure that not only enables them to perform better, but also ensures long-term sustainability. This holds true for the local communities, who have built their livelihood by engaging with the company on the transportation side from an SCM perspective. SCM being a controller of large costs in the organisation should always remain focused on managing costs proactively to establish a competitive advantage for the organisation.

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sourcing decisions using data analytics, are a must to create a sustainable advantage. One often needs to keep working on many projects to deliver such benefits, and hence, a structured review mechanism plays a vital role in ensuring timely completion of such projects," says **Jitendra Mahajan, chief supply chain officer, Marico**.

RISK & CHANGE MANAGEMENT

Changing input costs or natural disasters that affect procurement are risks that are inherent in business. Hence, it is important that the SCM used has the capacity to accommodate market and environmental changes. In fact, risk management is a key ingredient in strategic planning.

Aggarwal explains: "We have a robust organisational Risk Management Plan in place, which identifies natural and manmade hazards, financial risks, operational risks, strategic risks and reputational risks that can affect each function. There are short-term and long-term plans in place to mitigate these risks based on severity of impact and probability of occurrence."

BCP (Business Continuity Plan) is a necessary step in any supply chain design, be it procurement, manufacturing or distribution. "Annual BCP planning ensures that risks are identified proactively and worked upon with right strategic and tactical initiatives, which help the organisation to manage the VUCA environment better. Objectively defining value at risk for each of the identified risks helps you prioritise these actions effectively, else the importance of such actions are felt by stakeholders only when faced with these risks," avers Mahajan.

PARTNERING FOR SERVICE

In the current Indian context, the third party logistics (3PL) concept is still evolving and most companies prefer to capitalise on their core capabilities. They then reach out only if required and if they are efficient and economical. "We employ 3PL service providers for specific movements through sea, containers movement via rail etc. The choice between own distribution network and 3PL depends on performance factors an

R Shankar, CEO, TVS Logistics Services, India, speaks about the changing dynamics of logistics in India.



With GST having kicked in, could you tell us in detail some of the drastic changes for the logistics industry in 2018?

Prior to roll out of GST, most companies had their logistics networks planned around tax structures and compliances. This is now expected to shift in favour of optimisation of warehousing space, network capabilities, and fleet choices. The demand for greater efficiency and faster ways to reach raw materials to manufacturing units and from the manufacturing units to the market place will accelerate the change. This can reduce logistics cost, which, at 13% of GDP currently, is very high.

To swiftly roll out this model, with the advent of GST, matured organisations are looking at large-scale, end-to-end supply chain outsourcing. Large, organised 3PL providers like TVS Logistics who have invested in technology and operate with a focus on quality and compliance are benefiting from this move. Efficiencies on the back of cutting-edge technology will include predictive and prescriptive models

for enhanced visibility of load carriage, turn-around time, vehicle utilisation, loading/unloading time, load design solutions, vehicle geo-tracking, inventory tracking and safety; and route optimisation to add more value to customers' supply chain. Smaller/unorganised logistics players, who may not be as equipped to manage the changes brought in by GST, may therefore look at consolidating under larger 3PLs.

On the transportation front, the industry is already witnessing some transit trucks savings and the e-way bill has also been made mandatory from February 2018. However, high wait times at toll booths is still a challenge; and can be addressed with wider implementation of the Fast Tag system along all highways.

Within the supply chains of corporates, what are some of the factors that are changing and will have an impact on logistics, going forward?

Supply chain planning is increasingly becoming a collaborative process, involving all stakeholders – customers, LSPs, suppliers, dealers, etc. Recognising the impact of logistics and supply chain on the bottom lines of corporates, the exercise is becoming less transactional and more strategic in nature. Corporates are choosing their supply chain partners not only on the basis of cost efficiency, but are also looking at synergy in culture and strategy, transparency in communication and ability to provide visibility and control through application of technology. The other major change is the shift towards long-term contracts to realise real value for both partners, while also capturing any available quick wins.

Technology adoption to create visibility and enable agility in supply chain decisions is also on the rise. Solutions like RFID, GPS tracking, connected sensors, data analytics, IoT, and machine learning are becoming widely accepted for better planning and reducing total cost of logistics.

This mind-set shift, coupled with many progressive reforms by the government and investments in infrastructure, capability building and skilling, will push the growth for the logistics sector in the medium-term.

How can supply chain costs be reduced and more technology incorporated so that products can be made cheaper and more accessible to the masses?

While improving warehousing infrastructure and enhancing efficiencies in transportation services – which form a third of the logistics cost – will have a major impact on accessibility and affordability of products for masses, technology implementation will also be a deciding factor. Technology-aided visibility will make planning and asset utilisation better; and enable the reduction of inefficiencies, wastages, pilferages and damages in the supply chain process. Digitalised tracking and electronic documentation (like e-way bill, PODs, etc.) can boost efficiency and safety on the road, offer significantly enhanced control over inventory, reduce shipping errors and allow a more rapid response to the errors that do occur. Demand and supply aggregator platforms are proving to be a great leveller in these circumstances, providing an essential network-connecting ecosystem, where even relatively smaller service providers can get good visibility, especially for short-haul movements.

organisation is looking at; for us, it is about customer serviceability and cost efficiency. The advantage of using 3PL lies in effectively harnessing their core competency in terms of speedy execution, experience, assets, relationships and logistics capabilities," says Jalan.

The appropriateness of the choice is defined by the organisation's balance definition between control of each leg of the supply chain, cost levels of its own operation versus third-party suppliers and the

efficiency levels possible in a dedicated operation despite variances in demand and demand pockets of each SKU of the company. Each choice is appropriate in certain combinations of the variables and not so apt in other combinations.

V V S Mani, director - operations, Unibic Foods India, explains, "We started with our own fleet of autos for distribution in 2005. With this, we directly distributed our products in Bengaluru. Over the years,



as business grew, we have built a strong network of distributors and retailers apart from institutional sales. This is run with a dedicated team of sales force focused on each of the channels to leverage on our growth plans. In terms of managing our Bengaluru depot, we used to do it entirely by ourselves. But, recently, we are trying an outsourcing model and monitoring the effectiveness of it for the improvement of business apart from cost control.”

GST TALK

GST is a tax reform that has altered how businesses work. “The reform gives us an opportunity right away to rationalise the number of warehouses and depots, thereby allowing us to decrease our costs. We are now able to improve our distribution network further, by concentrating on serviceability and developing multi-modal hubs for bulk movements. The opportunities are there, just that we have to relentlessly pursue them. We have noticed that the cost of certain inbound materials has reduced with GST and taxes being applied only on value addition,” says Jalan.

In the long-term, organisations are also anticipating further benefits in terms of logistics from the GST implementation; one being vehicle transit time will reduce, thus reducing the on-road wheel time and increased asset utilisation. This will help reduce freight and supply chain costs accordingly as well.

“Road transportation does not have GST applicable on it directly. However, there are two sets of benefits:



THE E-WAY BILL HAS THE POTENTIAL TO FURTHER REDUCE THE TIME FOR DELIVERY OF LONG-DISTANCE TRANSPORTATION.

the collapse of the inter-state movement resulting in the delivery period in long-distance transportation coming down, and potential reduction in costs once new trucks are procured by fleet owners, who then start billing with GST extra and taking the set-off of GST on all assets, services, and eventually, fuel as well,” says Mandal.

LOOKING AHEAD

The introduction of the e-way bill has the potential to further reduce the time for delivery of long-distance transportation – if organised players pre-declare their consignment on the GST portal and use only ‘RFID-tagged & identifiable’ trucks that get a free-pass at every check-point – to the extent of 95%-98% of the time.

Technology is changing rapidly, creating exciting opportunities that never existed earlier. Excellence would be defined by the extent to which organisations leverage these opportunities, and customise them to their business context in order to differentiate themselves from their competition. ■



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5. Midmark (India) uses best practices like Kaizen and Jidoka to its advantage.

6. Midmark (India) has a robust organisational Risk Management Plan in place.