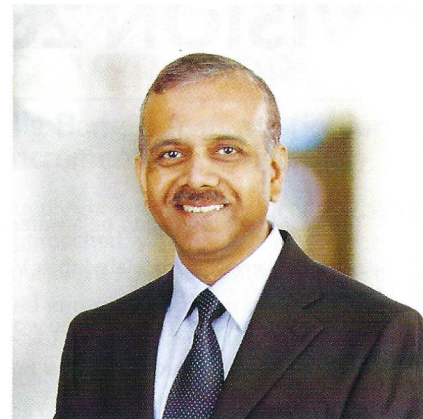


On a NIMBLE FOOTING

“Supply chains have come a long way from being reactive to responsive, moving now towards agile. As the consumers’ tolerance time comes down, supply chains need to respond to changing demand patterns in real time, which requires demand-driven working. Supply chains are getting more automated and digitized with the specific objective of being more flexible and move faster,” shares **Dr. Rakesh Sinha, Head – Global Supply Chain, Manufacturing and Information Technology, Godrej Consumer Products Limited (GCPL).**



Dr. Rakesh Sinha has headed several functions in Godrej Soaps including Strategic Planning, Information Systems and Marketing. He has also served on the Board of Governors of the Institute of Chartered Financial Analysts of India (ICFAI) and is actively involved in several key initiatives within the company like E-Commerce and Efficient Consumer Response (ECR). He has completed his B. Tech. in Mechanical Engineering from I.T., BHU and postgraduation in Industrial Management from NITIE. Dr. Sinha enjoys trekking and music.

Retail has been one of the most significant industries to watch out for in the last few years. Coupled with FMCG, the possibilities are immense. How would you like to describe the transformational journey?

FMCG and Retail make a formidable combination to serve the consumers better. A win-win partnership approach helps take out unnecessary transaction costs and delays in the system, thereby benefitting the consumers. Initiatives like ECR (Efficient Consumer Response) have helped the ecosystem develop a symbiotic relationship between them.

How has supply chain revolutionized over the years?

Supply chains have come a long way from being reactive to responsive, moving now towards agile. As the consumers’ tolerance time comes down, supply chains need to respond to changing demand patterns in real time, which requires demand-driven working. Supply chains are getting

more automated and digitized with the specific objective of being more flexible and move faster. Of late, I also see more awareness building up towards sustainability in every facet of supply chain.

What are the USPs that define the supply chain of Godrej?

We are strong proponents of demand-driven planning instead of being forecast-driven. Our focus continues to be on better demand sensing, getting more flexible in fulfilling demand and improving our response time on a continuous basis. Being demand-driven also requires good collaboration with our vendors and customers. Our customer order fill rates are amongst the highest in the industry.

What are the challenges that come your way knowing that you manage such a large SKU?

Portfolio complexity has gone up in recent times, which requires us to

be even more flexible and nimble in meeting consumer demand. Evolution of alternate delivery channels has made the fulfilment process a bit more complex and requires us to operate at even higher levels of agility. Our focus on demand-driven planning, flexibility and fast execution has definitely helped in meeting these challenges.

Please enlighten us on the transformational supply chain spectrum of Godrej Consumer Products.

We have redesigned our entire end-to-end supply chain to maximize agility. Our supply chain differentiator is the planning process, which is integrated across sourcing, manufacturing and delivery. It takes actual demand signals from the market as an input and converts it to distribution plan, production schedule and procurement orders. As a part of the design, we do keep strategic inventory buffers at select nodes of the supply chain to

meet variations in demand. Our agility comes from the fact that we resize the buffers every day. We are also strong proponents of daily end-to-end planning, which is possible due to a strong heuristics-based replenishment system. Finally, flawless execution on a daily basis is the key to fast response.

What are the prerequisites of creating a best-in-class supply chain network? How has Godrej achieved the mean feat?

The first and the most critical prerequisite is to change the mindset from forecast-based planning to demand-driven planning. The entire supply chain should be designed for agility, based on the principles of TOC and Demand-driven Material Requirements Planning (DDMRP). Supply chain design and planning heuristics should be built to ensure concurrent response from all the nodes rather than a sequential response.

Frequency of planning is another key parameter, which should be maximized. If fresh demand signals are picked up on a daily basis, planning frequency should also match it. Flawless execution and managing by exception are the other principles to keep in mind. Flexibility in every operation goes a long way in making the supply chain more agile.

You have been quite vocal about the importance of TOC. Can you share with us as to how it has helped Godrej?

TOC has helped us in creating new industry benchmarks in customer service levels. Our product availability metric continues to be the best in the industry. TOC has also helped in improving product freshness and bringing obsolescence under control. Finally, TOC has been the key behind our capacity debottlenecking and flexibility enhancement initiatives.

Please share with us one of the challenging projects managed by you at Godrej?

We were the first adopters of TOC in the country, way back in 2004. We improved upon several standard heuristics of TOC to bring in better co-ordination, smoother operations and faster response. It was a challenge to map these heuristics in a standard ERP. We used several workarounds to



map the routines in MFG/PRO, the ERP in use in 2004. It was quite a complex process. When we moved to SAP in 2007, we had to remap the routines to standard SAP functionalities. We faced several challenges again in the APO implementation due to our specific requirement of DDMRP processes, daily buckets and daily replanning, which aren't standard functionalities in APO. It has been a challenging journey, but I am quite happy that we accomplished what we wanted to, despite all these obstacles in the way.

What are the parameters on the basis of which you select a 3PL?

The two parameters which decide the choice of a 3PL are flexibility and response time. Other parameters like financial stability, sustainability and operational cost serve as the base filter criteria.

How has technology been a key enabler in making sure that your products reach the end consumers at the right time and right place?

Technology is at the centre of our agile operations. Since daily demand sensing is the starting point of our planning

and execution system, our distributor salesmen use hand-held terminals to capture pristine retail orders. Our TOC based replenishment heuristics built in SAP and APO use this demand signal to plan distribution, production and procurement on a daily basis. We also use the emerging demand trend to resize our inventory buffers every day. Industry 4.0 technologies like IOT, Computer vision, Drones and Robotics find their place in relevant areas to improve flexibility and response time. We use Analytics to track the health of our supply chain, identify exceptions and take corrective actions on a daily basis.

How can companies develop an agile supply chain?

Companies wanting an agile supply chain have to first change their mindset and move away from forecast-based planning to demand-driven planning. It will be futile to take up the agility journey without the mindset change. Designing an agile supply chain requires us to go back to the drawing board and work out the new planning system afresh. Location of strategic inventory buffers and their sizing is an important



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part of this exercise. Once these are in place, replenishment heuristics would run the supply chain quite efficiently.

Improving flexibility and response time in all parts of the supply chain (sourcing, production and distribution) are parts of the POOGI (Process of Ongoing Improvement). Agile supply chains would encounter new constraints from time to time. TOC Focusing Steps help us in identifying and dealing with these constraints in a timely manner.

We have been hearing a lot about digitalization in supply chain. How progressive are the Indian companies in implementing the same?

There is a lot of buzz about digitalization and many companies are trying it out. It's quite important to pick and choose the specific areas where digitalization would make a real difference. In our context, IOT, Computer vision, Drones and Robotics help in improving flexibility and response time in several legs of the supply chain.

Which have been some of the most striking supply chain models you have seen and admired across the globe?

The earliest and most talked about case was the Walmart – P&G model of replenishment-based supplies, which helped both of them considerably. I have personally found TOC model to be quite robust for managing FMCG supply

chains. DDMRP is now catching on.

How is Godrej working on supply chain sustainability?

Godrej is committed to the concept of Shared Value and focus on the triple bottom line – People, Planet and Profits. We have an ongoing program called Good & Green, focusing on five key parameters – increased usage of renewable energy and reduction in energy consumption, water consumption, GHG emission, waste generation. We have made excellent progress on all these fronts. We have also extended our sustainability focus to the vendors.

The nemesis of any forecast-based supply chain is mismatch of stocks – shortage at some locations and excess at others. These excess stocks sometimes need relocation requiring additional transportation and consequent adverse environmental impact. Agile supply chains working on TOC principles don't generate excess stocks and are, therefore, more sustainable by design. We are committed to make our entire extended supply chain sustainable.

What are the trends we will be witnessing in times to come?

Consumer demand is expected to get even more volatile with faster and omnichannel delivery requirements. These trends will force supply chains to become more agile in future. Focus

on sustainability is also expected to improve with stricter compliance norms.

You have been a part of the industry for over 25 years, what are the crucial learnings you have gained and what would be your advice to the new age supply chain managers?

Being consumer-centric has been the biggest learning for me. If we are focused on serving the consumers better, everything else falls in place. I have also seen that optimizing for agility is far superior to optimizing for cost. Finally, we should concentrate our efforts on focused improvements which would make the maximum impact – it is an ongoing journey and the focus should point to whatever is constraining the flow at that point in time. New age supply chain managers should first get emotionally invested into the business and focus on consumers. There is no one-size-fits-all supply chain solution. It has to be custom designed for each company based on its unique context.

If not a supply chain professional, where would you have been or would like to be today?

If not a supply chain professional, I would have probably been a nuclear physicist. Laws of mathematics and physics, governing the entire universe, fascinate me. Many of these laws are quite useful in modelling our supply chains.