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PRODUCTIVITY IMPROVEMENT THROUGH EFFICIENT SUPPLY CHAIN MANAGEMENTIN FMCG INDUSTRY

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ABSTRACT

Supply Chain Management (SCM)is an integration of a network of manufacturers and service providers together through physical flows, information flows, and monetary flows. Through this integrated Supply Chain, value is added to the input materials at every stage of the process and finally reaching the finished product / services to the end user. SCM is the active management of supply chain activities and relationships in order to maximize customer value.

Extended supply chains contain three additional participants - the supplier's supplier, the customer's customer and companies who are service providers to other companies in the supply chain. Companies need to continually revisit and reformulate their supply chain strategies to enhance organizational productivity and deliver competitive products to their Customers.Productivity is a crucial factor in production performance of firms and nations. Increasing national productivity can raise living standards of its citizens.

The concept of SCM is getting rooted in the industry. However, during the past fifteen years, there has been an increased focus on SCM due to significant effects that supply chain functionhave on organizations financial performance like operating costs, revenue growth, asset management and effect on profitability of an organisation. The purpose of this article is to explore the basic systemsto improve the productivity and enhancing profitability by efficient supply chain management in Fast Moving Consumer Goods(FMCG) Industry in Indian context.

Keywords: FMCG industry; Productivity; Supply Chain Management

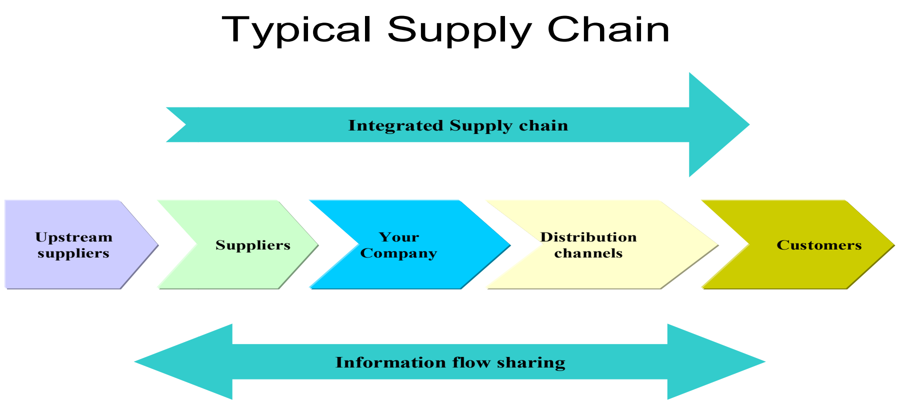
INTRODUCTION

Supply Chain Management is a system of organizations, people, value adding activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities involve conversion of natural resources, raw materials, and components into a finished product that is delivered to the end customer. In sophisticated supply chain systems, used products may re-enter the supply chain at any point where residual value is recyclable. Supply chains link value chains.

Supply Chain Management can also be defined as a network of organisations that either in upstream or downstream are connected to different value-adding activities. It refers to all of the processes, technologies, and strategies that together form the basis for working with internal as well as external sources of supply.

Supply chain management (SCM) is a major component of improving organizational productivity and profitability and thus us a keep competitive strategy tool for most

Organizations. This becomes one of the most powerful business concepts for organizations to gain a competitive advantage in today's global market. It is a tactical, operational and strategic role, driven by internal as well as external influences. SCM is an integral part of every business, as it deals with complex challenges, operational issues and managing the overall functioning of multiple systems. Even the smallest of errors can cause the entire system to crash. Hence it is essential to keep the supply chain running smoothly and efficiently. And the more efficient it becomes, the more it boosts the productivity and profitability of a company.



LITERATURE REVIEW

Supply chain management is the major tool for any business especially for marketing the FMCG products. The FMCG significantly relates to the customer services. Scott and Westbrook (1991) and New and Payne (1995) describe supply chain management as the chain linking each element of the manufacturing and supply process from raw materials through to the end user, encompassing several organizational boundaries. The evolution process of supply chain management especially in Indian industries need to be evaluated as it aids to analyse the strength and weakness of the current supply chain model for effective productivity improvement. A buyers' market is an ideal situation in which to develop long-term strategies with key suppliers because buyers have leverage in negotiating cost, quality, cortication of processes, acquisition and sharing of new technology and production competence, especially for recurrent transactions that require specialized processes (Ellram,L.M., 1994). This paper helps to find the effective productivity improvement in supply chain management in FMCG industries

RESEARCH METHODOLOGY

This study aims at discussing and finding the important issues related to productivity improvement of supply chain management by studying different types of systems and technologies used by FMCG industries in India

Let us start with understand the critical elements of Supply Chain Management

CRITICAL ELEMENTS OF SCM

To understand the functioning of SCM, it is essential to understand its structure. SCM consists of following main elements that help the clock ticking:

DEMAND MANAGEMENT

This is a planning process used to forecast the demand for products and services using statistical and analytical tools. Using the outcome of this plan, the products and services are designed, produced and supplied through the supply chain system to Customers.

SUPPLY MANAGEMENT

The objectives of supply management are to manage and deliver supplies / products; derive efficiencies during delivery, and feedback information into the business for future strategic business decisions.

PROCUREMENT MANAGEMENT

In this, goods and services are acquired from a different organization or firm. Procurement management helps an organization to save much of the money spent when purchasing goods and services

LOGISTICS MANAGEMENT

It is a supply chain **management** that meets customer demands through the planning, control and implementation of the effective transport solutions to move goods and services from origin to destination.

To manage Supply Chain productivities well, the following metrics were identified as key contributors. If every FMCG Organization can work focussed on these metrics through identification of the underlying inefficiencies, effective problem solving using techniques like FMEA, FTA and other relevant tools the efficiencies improve significantly thus deriving financial benefits to the Organization.

MAIN METRICS FOR SUPPLY CHAIN PERFORMANCE MEASUREMENT

Supply chain process	Measurement criterion	Performance indicator
Customer facing.	Supply Chain Reliability	OTIF – On Time in Full Packaging Plan Reliability Brand Pack Reliability Vendor Reliability
	Supply Chain Productivity	Procurement lead time Service levels Stock Inventory
	Material Planning Flexibility and responsiveness	Supplier response in sudden order demand Time to commercialize new Innovations

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		Sudden Plan Change
Internal facing	Cost Management Assets	Inventory Days Non-moving items Revenue from Waste Warehouse Costs & other operational costs
	Asset Management	Material Handling Equipment Outsourcing Returnable Material Management
	IT as an enabler &Automation	Good ERP packages from planning, procurement to Customer servicing
	People as Asset	Trained, Skilled and motivated people as an asset to the Supply Chain Organization

A survey conducted on electronic media with Indian FMCG Industries having annual Turnover in the range of INR 10 Billion to INR 60 Billion, having total manpower strength from Min. 100 No's to 3500 No's in 2016 indicated interesting results on the above metrics.

On the overall score of 53% efficiency on all these parameters, the one that stood out in terms of extremes are that Material Planning Flexibility was at its best at 71% whereas Cost Management stood at the lowest of 31%. Again, out of this the response to sudden supplier order demand fared at 83% and Waste realization under Cost Management was at a poor 13% only.

Considering that the variability on these parameters are high in terms of its applicability and also that these vary from the type of industry, its market dynamics and supplier / customer base and preferences under consideration; an average performance of 85% across the parameters would be a very efficient performance. Thus the scope for the industries under study to improve is 32% points from current levels. These organizations will need to work extensively in the area of realizing revenue from waste – a big treasure. The first step will be to identify the different types of waste generated from the business, put in infrastructure to collect and store them safely. Then, sourcing ideal consumption industries (for example broken glass can be recycled back into glass manufacturing industry or waste pallets, crates can be recycled back into the respective wood / plastic industries who manufacture these crates or pallets) will be the next step. Engaging with them positively and exploring opportunity to realize better value for disposal of the waste materials to these industries will help realize better revenues. The other important consideration will be to put in robust systems around the scrap management to ensure no pilferage or loss of these materials and there is a monthly reconciliation of the waste / scrap generated vs that are sold.

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