DABUR

INCREASING SUPPLY CHAIN EFFICIENCY THROUGH IMPROVED PLANNING

QUICK FACTS

Industry
Consumer products

Revenue
Rs 35 billion (US$750 million)

Employees
2,527

Headquarters
Ghaziabad, India

Web Site
www.dabur.com

SAP® Solutions and Services
Demand planning with the SAP® Advanced Planning & Optimization component and supply chain planning with the SAP Supply Network Collaboration application

Implementation Partner
Accenture

Dabur India Limited is the fourth largest manufacturer of fast-moving consumer goods in India. The company uses the SAP® Advanced Planning & Optimization component and SAP Supply Network Collaboration application to forecast and plan for the needs of dealers and other parts of its supply chain more accurately. The result is fewer lost sales, more on-time deliveries, and lower sourcing costs.

Key Challenges

- Make complex supply chain more efficient
- Integrate fragmented distribution network
- Service multiple front-end outlets
- Increase visibility into downstream stock levels and secondary sales
- Improve stocking norms and service-level constraints via optimized inventory levels
- Trim lost sales, damaged goods, stockist subsidies, and slow-moving and obsolete stock

Why SAP Was Selected

- Extensive experience in India
- Use by Dabur's competitors
- Strong supply chain management functionality
- Integration with the SAP® ERP application
- Ability to optimize cost models for product sourcing
- Integration with dealer point-of-sale portals

Implementation Best Practices

- Wrote solid business case for implementation that included key performance indicators
- Deconstructed historic sales data to derive baseline sales and impact of sales promotions
- Completed business process reengineering prior to implementation
- Used experienced consultant with understanding of business

Low Total Cost of Ownership

- Use of existing investment in SAP ERP to capture POS and non-POS data through dealer order portals
- Use of the SAP Advanced Planning & Optimization component to access data from other sources for forecasting, production planning, and dispatch planning

Financial and Strategic Benefits

- Significant improvement in statistical forecast accuracy
- Demand forecasting for all SKU stock levels
- Reduced sourcing costs due to IT-driven adherence to sourcing rules for multiple countries
- Optimized revenue from prioritizing better-selling SKUs in production and dispatch
- Greater agility due to increased availability of weekly SKU forecasts
- Production forecasting that takes various constraints into account

Operational Benefits

Key Performance Indicator	Impact
Lost sales	-40%
Forecast errors (mean)	-53%
Full, on-time deliveries	+7%
Rolling production plan adherence	+73%

"Today our forecasting is more accurate. We have fewer lost sales and less excess inventory. We have also cut our operational costs."

Anil Garg, General Manager of IT, Dabur India Limited

www.sap.com/contactsap

Building on a legacy of quality and experience that spans over 125 years, Dabur India Limited operates in key consumer product categories. It has consistently delivered profitable growth by focusing on its core brands, reaching out to new markets within and outside India, and improving operational efficiencies by reengineering and automating business processes. After an internal study showed that supply chain efficiencies could spur further growth, the company deployed the SAP® Advanced Planning & Optimization (SAP APO) component and SAP Supply Network Collaboration (SAP SNC) application.

A Complex Supply Chain

Dabur's supply chain is fairly complex versus other Indian competitors. A large and diverse portfolio of food, personal-care, home-care, and health-care products includes more than 800 SKUs with varying shelf lives. The company's distribution network is multitiered and includes more than 10 plants, 40 warehouses, and 1,500 distributors.

The internal study pegged the estimated benefits from enhanced supply chain efficiencies at Rs 500 million to Rs 750 million (US$10.7 million to $16.1 million) based on reductions in lost sales, stockist subsidies, damaged goods, and slow-moving or obsolete stock. The study indicated that process issues and underutilization of information significantly increased costs across the value chain.

A key problem, the study found, was lack of visibility into customer stock and secondary sales that resulted in poor top-down brand-level forecasts. Also, due to high demand and supply variability, the company could not define formal stocking norms to optimize finished goods inventory. A manual planning process that used spreadsheets for demand, supply, and production further reduced responsiveness and service levels. In addition, time-phased delivery schedules were based on existing supplies, rather than advance demand signals.

To address these issues, Dabur set specific key performance targets for improving supply chain efficiencies. It then reengineered the business processes that were essential to meeting those targets.

"We chose SAP APO and SAP SNC to support our new processes partly because the software would work effectively with SAP ERP, our primary business platform," says Anil Garg, General Manager of IT at Dabur. "We also liked the software's strong functionality for supply chain planning, including the ability to integrate with dealer point-of-sale portals."

Greater Forecast Accuracy

Use of SAP APO has improved forecast accuracy between 2% and 20% for priority SKUs. This has helped trim excess inventory, reduce lost sales by 40%, and increase full, on-time deliveries by 7%. Use of SAP SNC has helped improve monthly stock availability and prioritize forecast stock over safety stock.

"Sourcing costs are lower due to IT-driven adherence to specific sourcing rules for multiple countries," Garg notes. "Prioritizing better-selling SKUs in production and dispatch has helped maximize revenue."

Integration of the new software into Dabur's IT landscape has helped maximize the return on its IT investments, Garg adds. Both the company's stockist order portal and its internal portal for capturing non-point-of-sale data integrate with SAP software functions for demand planning, supply network planning, production scheduling, and truck-load scheduling. This makes it easier to identify out-of-stock situations, correct inventory levels, and reduce subsidies to stockists for holding stock.

Future Initiatives

"We continue to find new ways to use our SAP software to make our supply chain more efficient," Garg says. Dabur next plans to use SAP APO to build a replenishment model for distributors that can generate primary sales orders automatically.

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