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Bharat Petroleum: Reducing Logistics and Distribution Costs with SAP® Supply Chain Management

How do you streamline one of India's most complex supply chains to **meet customer demand while slashing inventory and logistics costs**? For Bharat Petroleum Corporation Limited and its network of more than 49 plants, 115 depots, over 100 supply locations, and 10,000-plus dealers and retailers, it takes the SAP® Supply Chain Management application.

Executive overview

Company
Bharat Petroleum Corporation Limited

Headquarters
Mumbai, India

Industry
Oil and gas – refining and manufacturing; downstream marketing and retailing

Products and Services
Petroleum products, including lubricants, fuels, and liquefied petroleum gas; oil refining

Employees
13,500

Revenue
US$32 billion

Web Site
www.bharatpetroleum.com

BUSINESS TRANSFORMATION

The company's top objectives:
- Improve responsiveness to market demand while lowering supply chain costs
- Match available supply to demand at the lowest possible cost
- Outperform the competition with faster, more efficient planning and execution

The resolution:
- Introduced the SAP® Supply Chain Management application to calibrate planning and execution with customer demand
- Employed flexible IT solution to meet specific needs of each division
- Received full support and guidance from senior management

The key benefits:
- Ability to ensure high product availability
- Lower inventory costs
- Lower distribution costs

Read more

TOP BENEFITS ACHIEVED

56%
Reduction in days in inventory (average)

14%
Improvement in demand fulfillment index

2.5%
Reduction in logistics costs

See more metrics

"Our investment in SAP SCM helped us build an efficient supply chain in our liquefied petroleum gas and lubricants businesses. This helped improve the company's competitiveness while lowering overall supply chain costs."

S Prakash, DGM – ERP, Bharat Petroleum Corporation Limited

Executive overview

Company objectives

Resolution

Business transformation

Future plans

Building a strong pipeline to customers

For Bharat Petroleum Corporation Limited, "People Above Oil" is more than a slogan – it's a commitment. Bharat Petroleum is one of India's leading and most respected nationally owned companies, refining and marketing a wide variety of petroleum products that have literally fueled the nation's development and growth. "We have fueled our own rapid growth by making sure that we are the customer's first choice when it comes to petroleum products," says Madhukar Bidani, head of supply chain management at the lubricants division of Bharat Petroleum. "And we are a leader in using enterprise software to support that effort."

Bidani should know; he oversees a highly complex supply chain, delivering more than 700 products to 9,000 retail outlets across India. "It's a distribution network that gives us a competitive edge," explains Bidani. But even with this advantage, competitive pressure is fierce. Says Bidani, "In the lubricants business, the stock moves as soon as it is 'on the shelves.' So if you aren't replenishing the stock fast, you're losing sales to the competition."

In trying to mitigate lost sales, the lubricants division had to maintain artificially high levels of inventory to ensure product availability. Not only was it losing sales opportunities, it was struggling to rectify a working capital deficit. "We needed to make sure that every customer has the right product at the right time, in the right quantity," says Bidani. "That's why we turned to SAP."

"With increased visibility and a flexible supply chain network, we can respond quickly to changes and capitalize on new opportunities."

Madhukar Bidani - Head of Supply Chain Management, Lubricants Division, Bharat Petroleum Corporation Limited

Executive overview

Company objectives

Resolution

Business transformation

Future plans

Leading the pack as India's first implementer of the SAP® Supply Chain Management application

In choosing the SAP® Supply Chain Management (SAP SCM) application, Bharat Petroleum was breaking new ground. "At the time, we were the first company in India to deploy SAP SCM," says Bharat Petroleum's S Prakash, DGM – ERP. The company had already achieved significant performance benefits as an early adopter of the SAP ERP application. But the SAP SCM application's scalability and functionality enabled Bharat Petroleum to optimize supply chain performance across its liquefied petroleum gas (LPG) and lubricants divisions.

The application was also able to meet each division's unique supply chain challenges. "For our lubricants division, SAP SCM helped us switch from executing our production based on available supply to executing it based on actual demand," Prakash explains. "For our LPG division, SAP SCM helped us lower our high logistics costs and eliminate manual, spreadsheet-based planning processes."

9-Month implementation

Bharat Petroleum deployed SAP SCM in phases starting with the lubricants division, which had the software up and running in just nine months. "SAP SCM functionality for demand and supply network planning allows us to continuously incorporate the latest demand signals into our supply chain," says Bidani. "And the application's production planning functionality helps us optimize monthly and daily production schedules; that means we can always make the most of available equipment, material, and transportation resources."

Executive overview

Company objectives

Resolution

Business transformation

Future plans

Fueling sales growth and lowering supply chain costs

SAP SCM is fulfilling the lubricants division's goal of high product availability to customers. "With SAP SCM, we don't lose sales to the competition because we do a much better job of meeting demand," says Bidani. "In just the past two years, we've grown sales by 38%."

By shrinking average days in inventory by 56%, SAP SCM is also helping the division drastically lower supply chain costs. The software also helps Bidani's team accommodate high-volume, last-minute orders. "For me, the biggest benefit is a good night's sleep," Bidani confesses, "because I don't get calls about missing shipments and lost sales opportunities."

After the lubricants division, Bharat Petroleum continued its rollout of SAP SCM, launching a pilot project in its LPG unit. The company began to see benefits quickly – including a 2.5% reduction in logistics costs and a 60% to 80% reduction in planning cycle time. The LPG division estimates an additional 5% to 6% reduction in logistics costs going forward.

KEY BENEFITS

56%
Reduction in days in inventory (average)

2.5%
Reduction in logistics costs

14%
Improvement in demand fulfillment

60%
Reduction in planning cycle time

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Company objectives

Resolution

Business transformation

Future plans

Fueling further transformation

The company next plans to deploy the software throughout its three fuels divisions (retail, industrial and commercial, and aviation), making it India's first oil and gas company to use SAP SCM for this particular line of business. In doing so, the company will continue to lead the way in using innovative technology to help ensure customer value and satisfaction.

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