

Case Study

Network design



ITC Limited Creates the Perfect Recipe for Supply Chain Success

1%

Reduced cost of goods sold

2

months to realise full return on investment

A total-cost optimization approach to supply chain planning

ITC Limited is a multi-billion-dollar conglomerate based in India with a diversified presence in fast-moving consumer goods, hotels, paper and packaging, agriculture and information technology. The company's packaged foods business is experiencing fast growth, with biscuits (cookies) representing its largest single category.

The biscuit segment experiences high demand volatility and materials cost fluctuations. ITC recognized that its spreadsheet-based tools did not account for its continuously changing cost structures. The company needed a more powerful tool that would allow it to take a total-cost optimization approach toward its strategic, as well as tactical, supply chain planning. ITC was able to achieve this total-cost optimization with the network design capabilities within Blue Yonder's Luminat[™] Planning suite.

Challenges

- ITC's spreadsheet tools did not account for its continuously changing cost structures. Therefore, they could not see the macro effects of the supply chain decisions they were making.
- Cost optimization is complex at ITC due to frequent manufacturing changeovers required to produce its more than 120 distinct biscuit SKUs across its network of 17 factories and the dramatic price fluctuations in the agricultural sector that affect their materials costs.
- ITC's spreadsheet-based planning did not allow them to make effective medium and long-range strategic plans.



Optimizing the supply network

To maintain its leadership position in the biscuit category and capitalize on future growth opportunities, ITC turned to Blue Yonder to ensure that the company's supply network, which includes more than 17 factories and 50 warehouses, was delivering products to the market at the lowest possible cost.

"Previously, we had focused on freight optimization as a means of driving out costs in the biscuit division. However, since freight expenses only contribute less than 10 percent of total cost, the scope of optimization was very limited. Our supply network was remaining static over time." **-Supply Chain Manager, ITC**

Since implementing Blue Yonder's network design capabilities, "We have saved nearly one percent of the cost of goods sold by optimizing our supply network against our business plan, which represents a substantial savings. We achieved this by understanding and leveraging structural cost differences, as well as deploying our resources more effectively against changing market dynamics." The financial benefits enabled ITC to realize a full return on its investment in less than two months.

Enabling long-term planning

ITC wanted to not only address its present-day challenges, but also create the foundation for future market leadership. "First, we needed to determine how we should be operating on a monthly basis, given our existing capacities and capabilities. But we also wanted to take a medium-term view so we could better align our supply chain resources with demand variations."

The company selected Blue Yonder's network design capabilities because it could provide a transparent perspective on how any new investments would impact its overall cost structure. "Thanks to Blue Yonder, our business has been able to structure a five-year capacity roadmap, based on a total-cost approach, that simultaneously considers location, capacity, capability and timeline constraints. We have made multiple capacity decisions and have many supply chain expansion projects under way."

Making cost-based decisions

ITC can now make cost-based decisions very quickly, taking corrective actions before there are any negative financial impacts. The quick response model enabled by Blue Yonder positions the company to continuously improve its cost position, no matter what trends emerge.

"When we are making future plans, we can evaluate the impact of multiple potential events on our costs and our profitability. We can look at what-if scenarios, make virtual choices and see how these decisions would impact our overall financial picture and our supply chain structure."

Cost savings through collaboration

"During the period when we were implementing the Blue Yonder solution, there were dramatic price fluctuations in the agricultural sector which affected our materials costs. The network design capabilities helped us to create seamless collaboration among procurement, manufacturing, marketing, sales and logistics to manage these price fluctuations. We were able to identify cost savings opportunities that provided us with a competitive advantage. This process really helped change our culture and teach us the benefits of collaborative planning."

Solution benefits

- Reduced cost of goods sold by nearly one percent
- Realized full return on investment in less than two months
- Enabled long-term cost-based planning decisions
- Achieved cost savings through better collaboration

Blue Yonder expertise

Within ITC Limited, the biscuit division has emerged as a role model for embracing collaboration and alignment. "There is a strong interest from other business units in implementing similar supply chain innovations and best practices in order to drive competitive advantage. We're proud of what we have accomplished with Blue Yonder."



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