



2015 TOCICO International Conference

# Godrej Consumer Products Ltd

## Story of First VV in the World

Presented By

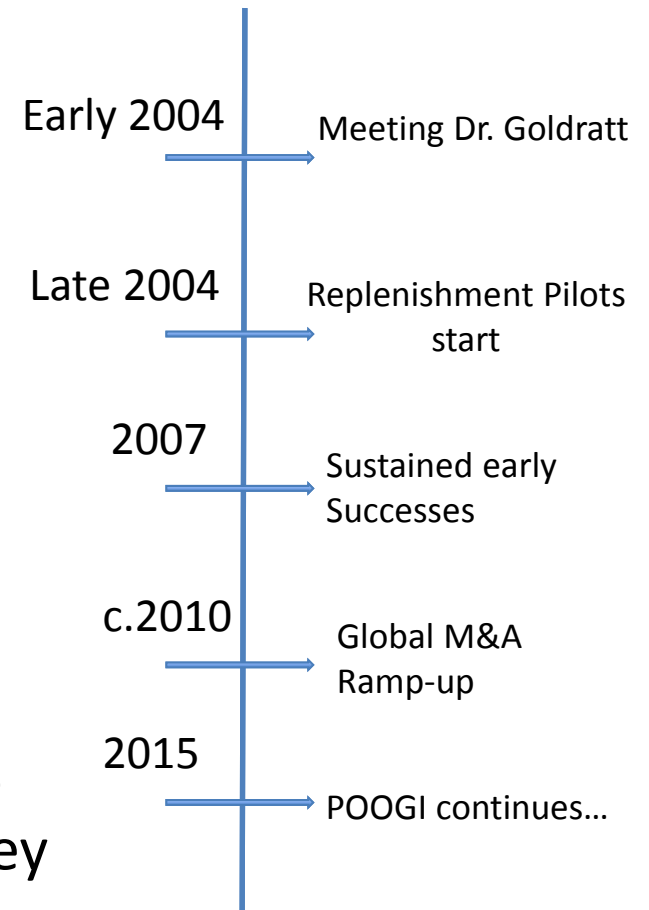
Dr. Rakesh Sinha - Godrej Consumer Products

Radhakrishna Jagannath– Godrej Consumer Products

Chandrashekhar Chaudhari – Goldratt Consulting

# When it all started...

- Early 2004, Dr. Goldratt met with the top team of GCPL
- Decision to adopt TOC at GCPL was made
- Resultant practice changes were largely contrary to prevailing industry practices in Indian FMCG industry
- Also, decision to stop use of forecasting to manage supply chain was (and still is!) a key paradigm change





# GCPL - EMERGING MARKETS FMCG MNC

International business contributes about half of GCPL's revenues and profits

Vision to grow 10x in 10 years by 2020

# GCPL Snapshot



largest home grown HPC company

**US \$1.4 billion**  
in sales in FY 15

## India business

leading market share in core categories

1

hair colours  
household insecticides  
liquid detergents

2

soap



strong positions in core categories home care hair care

## internationally



# 47%

revenues come from international businesses

acquisitions established a platform for a leading emerging markets FMCG company

excellent track record of

## value creation



among FMCG companies in India



# Spreading wings globally

- Focus on emerging markets in Asia, Africa and Latin America
- Three core categories as entry point
- Disciplined M&A process
- Values based partnering approach

3 X 3

# GCPL's GROWING PRESENCE

## 2010 : Plan

- Build market share in India
- Create a foundation in identified geographies and business segments
- Expanding footprint in Indonesia, Africa and Latin America



## 2015 : Reality

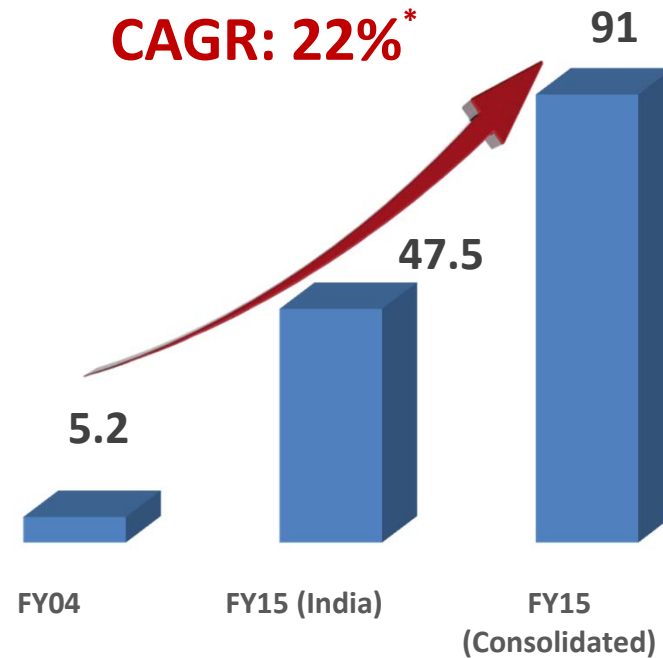
- Continues to lead the Indian market
- Obtained leadership positions in identified geographies (emerging and developing markets)
  - In household insecticides, air care and hair care segments
- Successfully cross-pollinating leading business practices globally



# Market leading positions globally

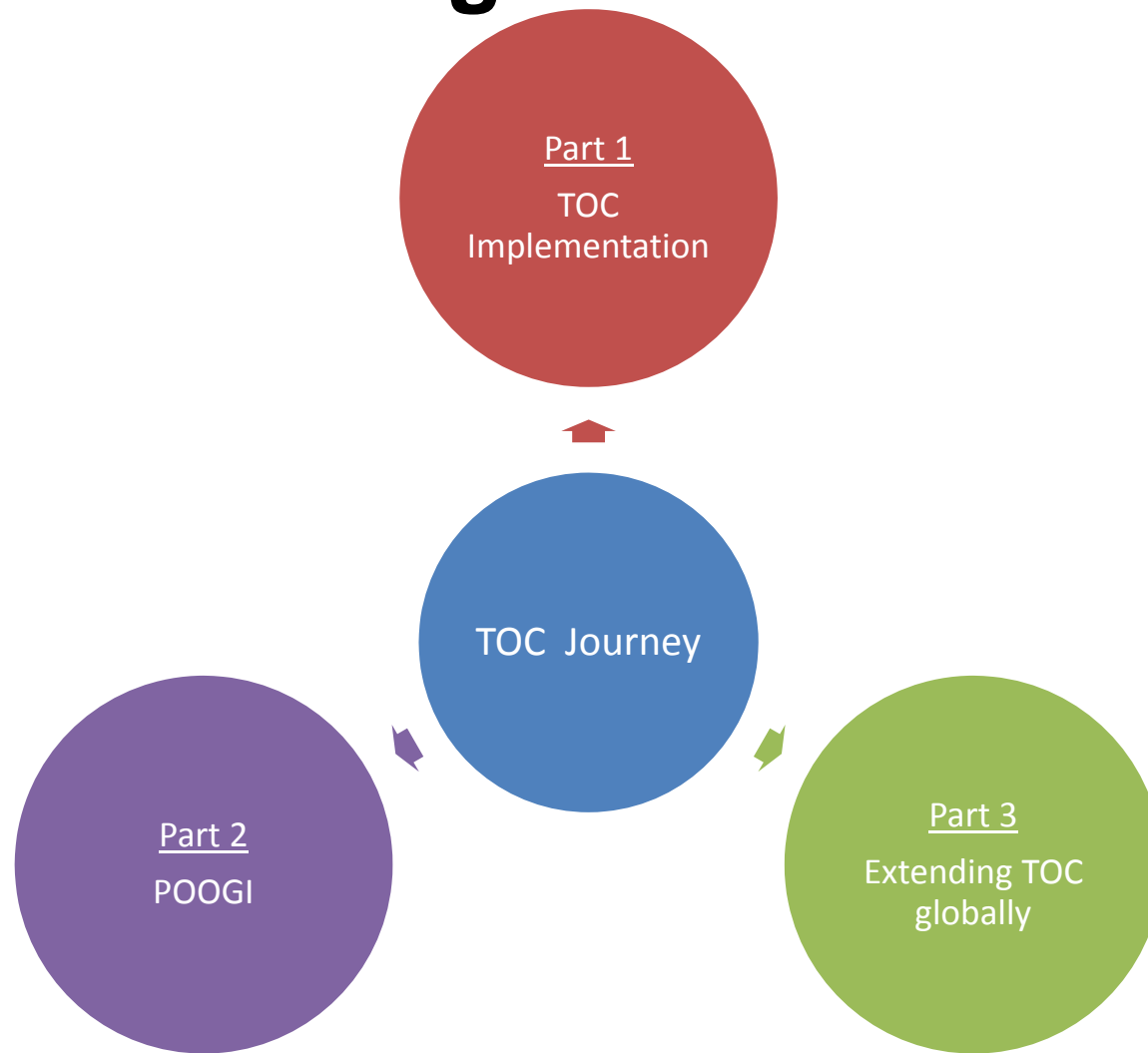


GCPL - Sales (in Billion INR)



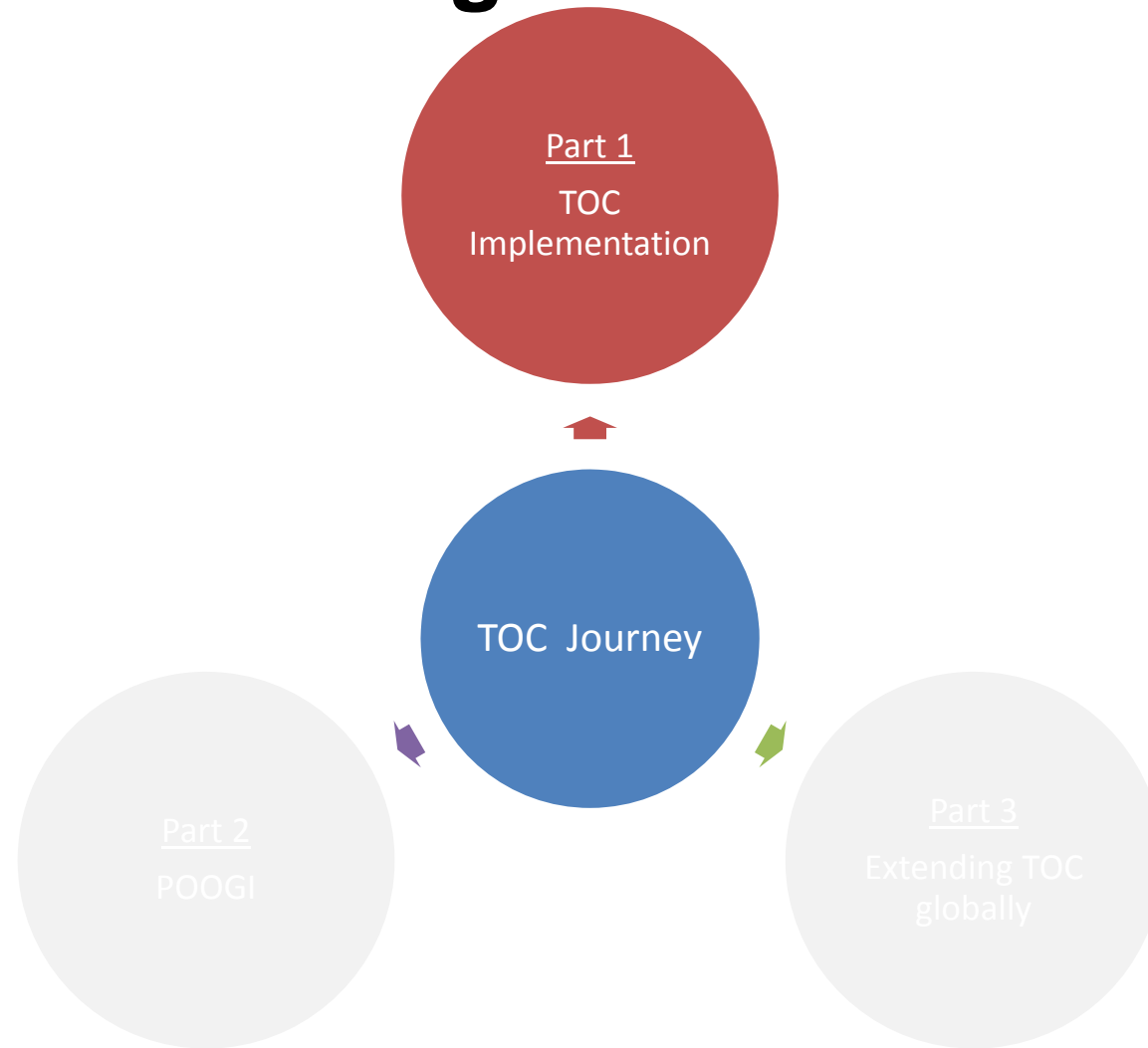
**\*Indian FMCG Sector grew 11% during same period**

# Agenda





# Agenda



# Scenario before TOC...

- ❑ Goods were supplied to warehouses **based on forecast** - - 30 warehouses spread across different provinces (due to tax reasons)
- ❑ Stock **push to distributors** at month-end was common – as sales to distributors was reported as company sales in financials
- ❑ Market related challenges – High **shortages as well as surplus stocks** reported across locations
- ❑ Supply chain suffered from **lower inventory turnover, frequent change in production** plan
- ❑ Distributors faced frequent stock outs , **low return on investment**

## Leading to...

- ❑ **Negative impact** on the consumer franchise
- ❑ **Loss of market share** and revenues
- ❑ **Dissatisfaction** among suppliers and distributors
- ❑ Constant firefighting, **expediting mode** of working by employees and business partners

*This mode of working was not unique for GCPL but was common practice across the Indian FMCG industry*

# TOC Solution : Key elements

## Replenishment

- Plant / Regional warehouse** created for each of the 4 factories
- Process implemented **to replenish** all the 30 warehouses from PWH
- Dynamic inventory norms** defined for each of the stock points
- Stocks transferred to locations **based on actual consumption**

## De-bottlenecking

- DBR implemented** across all the factories
- Production scheduling** based on replenishment orders
- Five focusing steps** implemented to address the constraints
- Batch sizes** reduced significantly

## Procurement

- Raw material & packing material procurement process was changed
- Moved from **monthly indenting to ordering based** on actual consumptions

## Business Partners

- All 2000 distributors connected **through IT system** – to obtain stock & consumption data
- Replenishment system** was implemented from warehouse to distributors also
- Convinced Critical RM/PM vendors to hold stock for materials supplied
- Lead time** for materials supplied to factories reduced from 3/4 weeks to 1 week

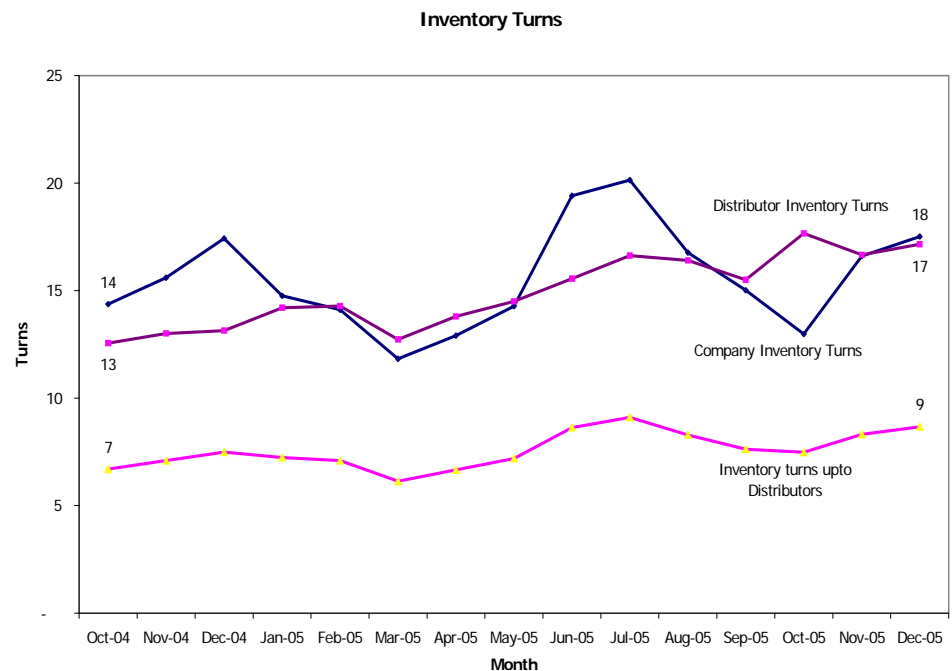
# Key challenges faced

- At that time (c. 2004), there was no ready software available in the market to support full TOC implementation.
  - In the absence of such software, IT systems were developed on the ERP platform itself
- In addition, connectivity infrastructure across India was poor
  - Dedicated communication systems and middleware were introduced to synchronize information across various factory and warehouse sites
- This helped implement TOC solutions fully, while reducing the implementation time significantly.

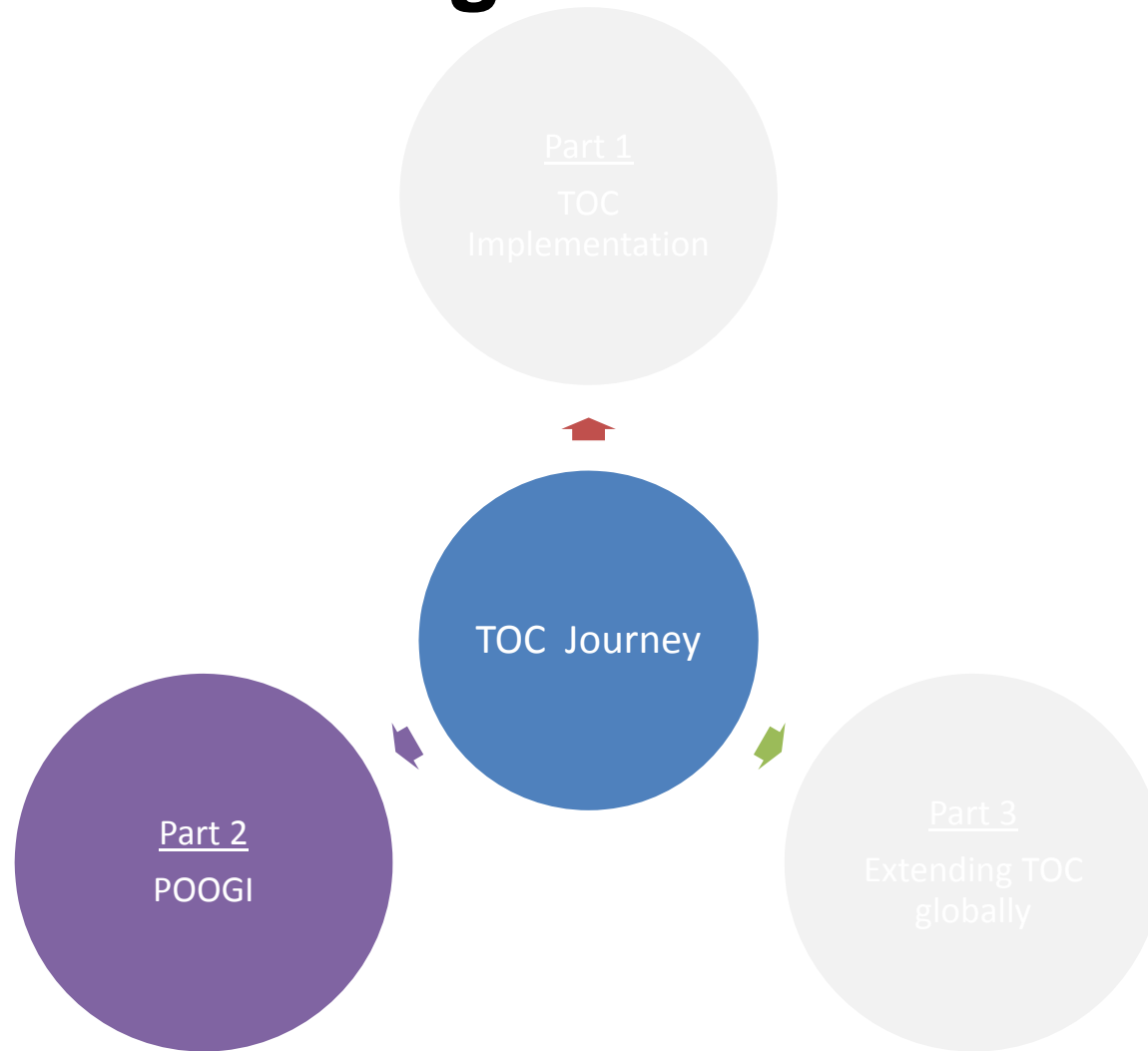
# Results (within 2 years of implementation)

- ❑ Released additional **capacity in factories** between 20% to 40% with minimal investment
- ❑ Inventory **availability improved** from 70% to 95%
- ❑ **Fill rate improvement** from about 85% to 94% levels
- ❑ **Inventory turns** : 14 to 18 for distributors & for company from 13 to 17 within first 15 months
- ❑ **Sales increased by 15% CAGR**
- ❑ **Market share increase** – Soap market share increased significantly from 5.9% to 8.2%

*Incidentally In 2004-05, western parts of India were severely flooded, but GCPL recovered sales mainly due to buffer stocks in plant / regional warehouses & the fast replenishment systems.*



# Agenda



# Building on initial implementation...

- ❑ After initial implementation completed – we quickly extended the implementation across all parts of supply chain
- ❑ **Factories**
  - ❑ Number of **factories covered increased from 4 to 21**
  - ❑ DBR extended to all the factories & Production schedule is **based on the replenishment norms**
  - ❑ Executed significant number of **debottlenecking projects** across all the factories
- ❑ **Distribution**
  - ❑ SKUs increased from 175 to 600 ; so did RM/PM variety. But **managed daily on replenishment basis**
  - ❑ Stocks transferred completely on **replenishment basis**
  - ❑ Extended the number of **distributors from 400 to 1780** on replenishment offer
- ❑ **IT systems**
  - ❑ **In-house software designed** to support TOC / replenishment process
  - ❑ Systems were **developed on top of the ERP platform** – reducing the implementation time significantly





# Example : Debottlenecking Projects

## Problem

- ✘ Capacity shortages in key product categories such as :
  - ✘ Soap noodles
  - ✘ Mosquito repellent coils
  - ✘ Hair color crème in sachets

## Flawed Assumption

- ✘ Rated capacity limits the output from continuous process plants (such as chemicals in our case)

## Solution

- ✓ Constraint identification and exploitation of the constraints to release up to 60% additional capacities in these plants over installed capacities.

# Example : Replenishing to “Modern Retail” customers

## Problem

- ✘ Share of sales from Modern retail chains were increasing.
- ✘ Maintaining optimal stock levels at each store as well as the order servicing were key challenges

## Key challenge

- ✘ Retail chains have their own independent IT system with local master data.
- ✘ Data synchronization was a big challenge

## Solution

- ✓ Replenishment to modern trade customers was initiated
  - ✓ Detailed data mapping exercise using EDI for seamless data exchange
  - ✓ Joint business planning exercise between teams of both GCPL and the retailer organizations

## Results

- ✓ Resulted in increase in service level from 82% to 95%
- ✓ Major retail chains ranked us number 1, in terms of service level, well ahead of all our competitors



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**RJ [4] [2] [2]1** Radhakrishna J, 8/10/2015

# TOC New Knowledge

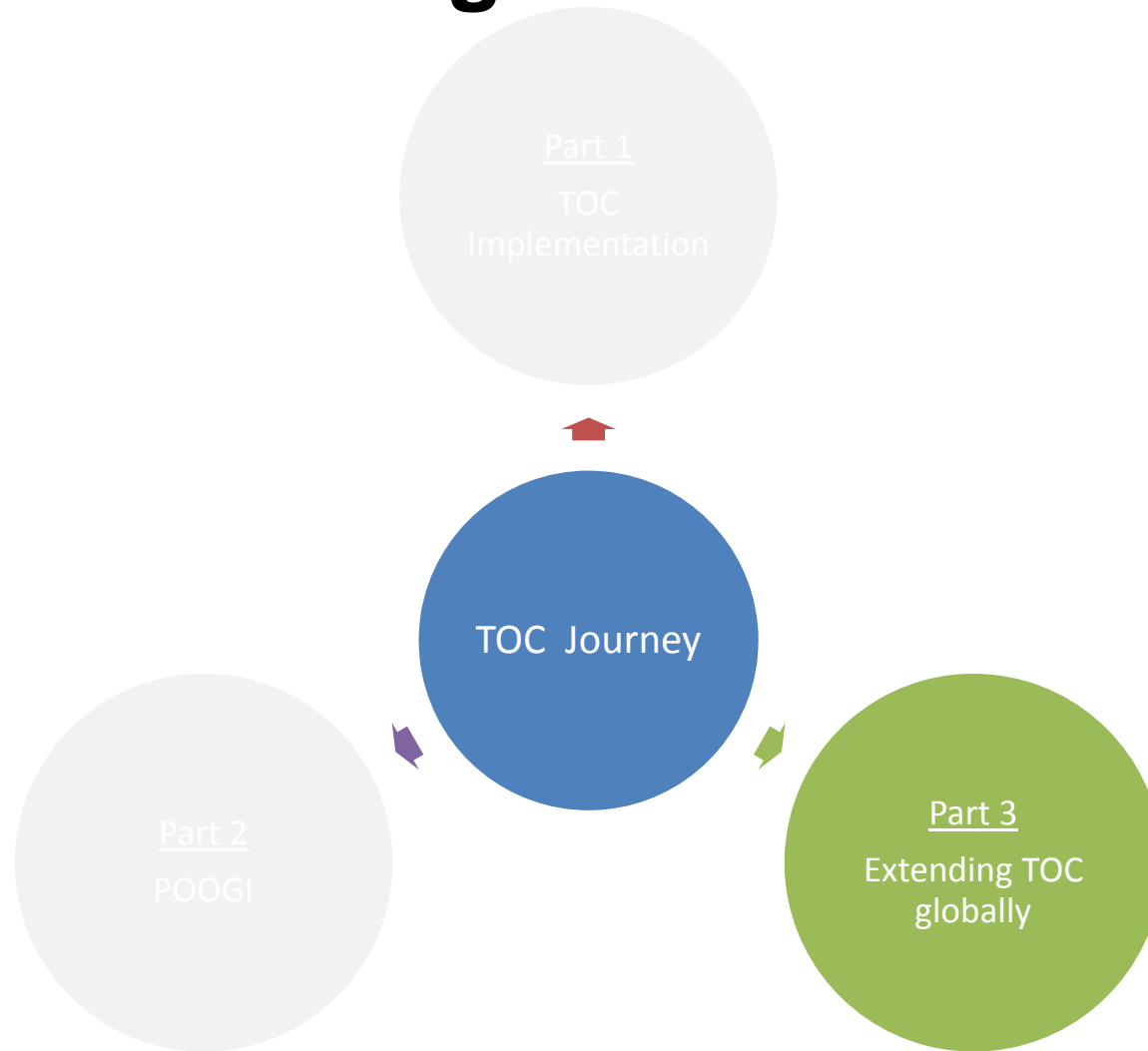
GCPL has adopted variations to classical TOC to suit Indian environment :

- Concept of single Rope
  - Single rope from market till supplier
  - No decoupling of supplier orders via production plan
  - Rope1 – Rope2 – Rope3
- Concept of daily norm changes
  - Using Last 30 days average sales, changing daily
  - Smoothens out norms changes, v/s 33% norm increase/decrease

# Results

- ❑ **Stock availability** sustained at 98%
- ❑ Fill rates of over 99% - possibly the **best in Indian FMCG industry**
- ❑ Rated as **preferred supplier by top retail chains** such as Walmart, Tesco in India
- ❑ POOGI using **five focusing steps**, Hair color sachet plant **capacity improved almost by 300%** with minor investments.
- ❑ **Debottlenecking has become the way of life** across plants of the company, thereby avoiding capital investments in machinery and manpower
- ❑ Company **culture also started changing** towards the TOC way through:
  - ❑ TOC knowledge enhancement sessions for all key employees
  - ❑ T, I, OE based decision framework

# Agenda



# Using TOC leverage in M&A..

- In last decade, company has done about a dozen acquisitions/JVs across emerging geographies globally (Africa, South America and parts of Asia).
- Pre-acquisition:
  - We give significant weightage to our TOC capabilities which can be applied on the target business to improve earnings upside potential.
- Post – acquisition:
  - We are spreading TOC concepts to these companies and they are at various stages of TOC implementation maturity.
  - The initial results are already very encouraging; and the rollouts are gathering momentum.





## Key challenges in this phase..

- Diverse geographies
- Differing maturity levels of individual businesses
- Cultural cues / Language
- JV context in certain countries
- Local talent / capabilities

# Spreading TOC to global acquisitions..

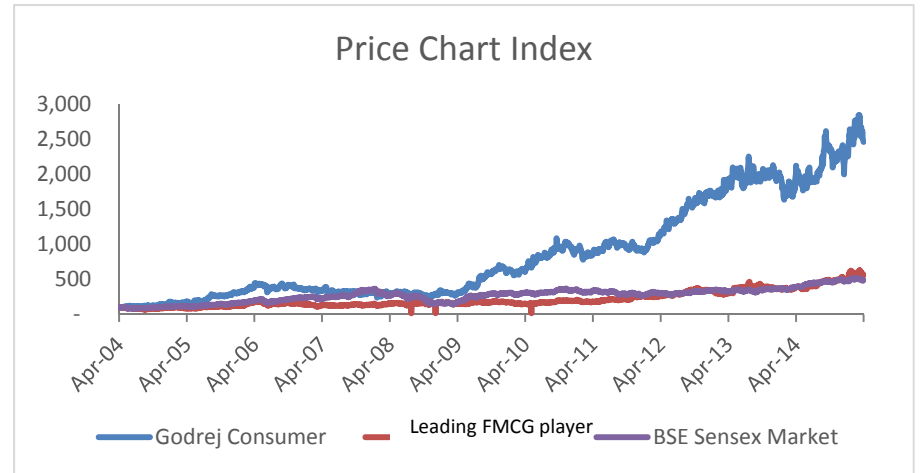
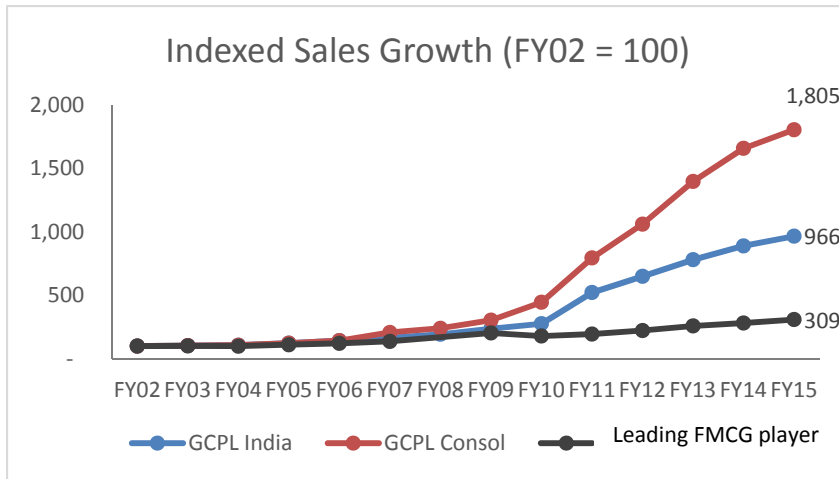
## ❑ Example : Replenishment based FG planning in Africa

- ❑ Context : Sales in South Africa, production in Mozambique
- ❑ Challenge : High stock-outs due to use of production orders (generated by RSA) using forecast
- ❑ Solution : Discontinued use of forecasts/ production orders ; supplies from Moz switched to replenishment based on FG norms in RSA
- ❑ Results : Fill rates improved from ~60% to 95%+ levels; sustained over many months now

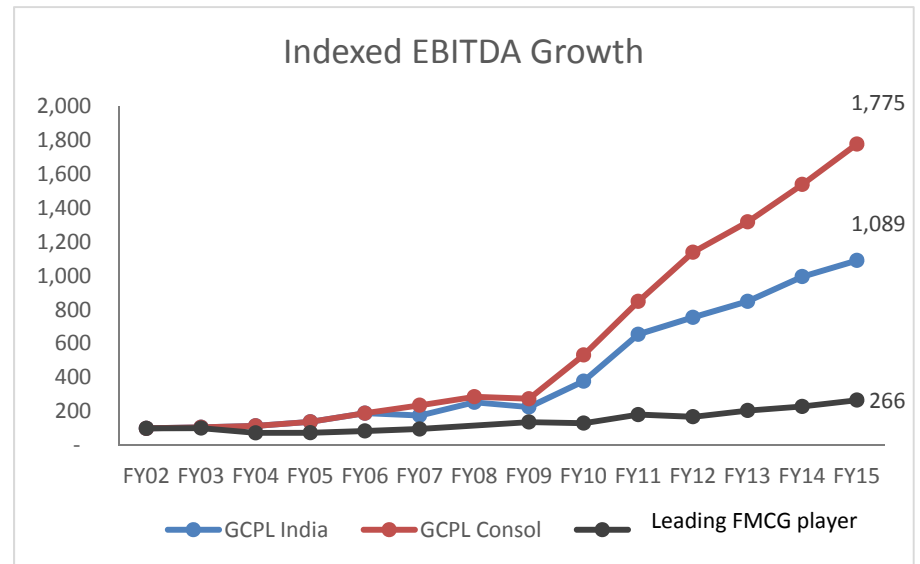
# Spreading TOC to global acquisitions..

- ❑ **Example : TOC /Lean for labor intensive operations in Africa**
  
- ❑ Context : Highly labor intensive operations, local efficiency metrics prevail
- ❑ Challenge : High stock-outs and limited production flexibility
- ❑ Solution :
  - ❑ OTIF metric replaced local efficiencies as primary metric
  - ❑ Production scheduling aligned to penetration reports
  - ❑ Warehouse flow-through improved using layout/process changes
  - ❑ Production flexibility increased through lean implementation
- ❑ Results : Fill rates improved from ~70% to ~88% levels in less than 45 days

# Overall results



- ❑ **Strong sales and profit growth** over the last decade
- ❑ Godrej consumer stock price rose from Rs.42 in FY04 to high of Rs.1,450+ during FY15
- ❑ **Stock price grown 35% CAGR (FY04 to FY15)**
- ❑ Market value added increased from 200 million USD (in FY04) to 5,600 million USD (in FY15)



# Results



#1 in FMCG

#6 overall

12<sup>th</sup> year in a row on the list



Recognised among the top 25 workplaces in Asia



Ranked among the best employers in India in 2015

# Results



*Forbes's The World's 100 Most Innovative Growth Companies 2015*

We ranked #24, with an innovation premium of 65%

We were ranked #31 in 2014

In both years, we have been the highest ranked Indian company on the list



# Towards becoming an ever flourishing company..

## ❑ Category leadership

- ❑ GCPL has gained significant market share across core categories of toilet soaps and household insecticides

## ❑ Business partners

- ❑ Vendors are growing along with us. Total value of purchases have grown from **39 million USD to 292 million USD**
- ❑ Distributors have grown from 1,300 to 1,780
- ❑ **Average sale per distributor increased by 460% in last 11 years**

## ❑ Employees have stability and growth

- ❑ **Multiple leadership roles** created through our global expansion across emerging markets
- ❑ Spearheading key Business head roles and several functional head positions for our Global clusters

## ❑ Shareholders

- ❑ **Strong sales and profit growth** over the last decade
- ❑ **Market value** increased from 200 million USD in FY04 to 5600 million USD in FY15

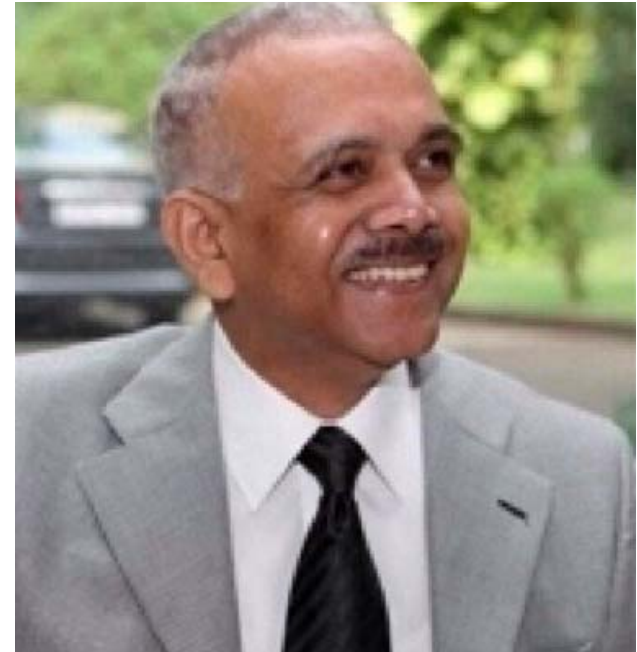


# Contribution to TOC Community

- ❑ **Openly sharing our experience**, and the **power of TOC implementation** – across various industries and sectors
- ❑ Regularly sharing the TOC experience in **various newspapers, journals**
- ❑ Propagating TOC to various **forums through presentations**
- ❑ **Academic partnership** with key business schools to embed TOC as part of their curriculum

# Dr. Rakesh Sinha

- Dr. Sinha heads the Global Supply Chain, Manufacturing and Information Technology at Godrej Consumer Products Limited
- He has done B.Tech. in Mechanical Engineering and a post graduation from NITIE, a premier operations B-School in India.
- He joined Godrej Soaps as a Management Trainee in 1980 and completed ICWA, CFA and Ph.D. from IIT-Bombay while working with Godrej.
- He holds the distinction of being the first doctorate in Supply Chain Management in India.
- Dr. Sinha has headed several functions in Godrej Consumer Products including Supply Chain, Marketing, Strategic Planning and Information Systems.
- He has served on the Board of Governors of ICFAI. He is currently on the Academic Council of NITIE and the Academic Board of Welingkar Institute, a Mumbai based B-School.
- He is actively involved in several key initiatives of the company, like TOC and Efficient Consumer Response (ECR). He is a guest faculty at several leading Management Institutes in India.
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# Radhakrishna Jagannath

- Radhakrishna is an Electronics Engineer and has completed his Post Graduation in operations from one of the leading operations business schools from India.
- He has around 16 years of professional experience across business consulting and operations across emerging markets: Asia, Africa and South America.
- In his current role with Godrej Consumer Products Ltd (2012-Present), he leads supply chain corporate centre for international acquisitions / JVs in emerging markets. His focus is on driving margin improvement initiatives around TOC, Lean, etc.
- In his earlier stint at Godrej Consumer Products (1999-2007), he worked closely with Goldratt Consulting as Internal champion to drive Viable Vision implementation at Godrej Consumer Products Limited.
- He is a TOCICO Certified Operations and Supply chain applications expert.



# Chandrashekhar Chaudhari

- Chandrashekhar is a Mechanical Engineer and has completed his 'Post Graduation' in operations from one of the leading operations business schools from India. 2002 to 2008 he has worked with the Godrej Group (one of the leading and more than 100 years old business house in India.) He has worked on several TOC implementations, many of them within the Godrej Group of companies.
- Since 2008 he has been associated with Goldratt Consulting and involved in various 'Viable Vision' implementations in various companies across the globe in different roles. He loves to develop and experiment with new solutions beyond traditional TOC solutions and share new knowledge at various forums including TOCICO
- Chandrashekhar was involved in Godrej Viable Vision implementation since beginning and was TOC Expert on behalf of Goldratt Consulting.





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# Thank You