

Supply chains in the fmcg sector commerce essay



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The cadbury is the company which is in production of delicious chocolates the main and famous products of cadbury are cadbury dairy milk, cadbury gems, cadbury 5 star, cadbury Celebrations, Temptations, and Gems. In Milk Food drinks segment, Cadbury's main product - Bournvita is the leading Malted Food Drink in the country. Cadbury is one of the biggest confectionary company in the world established in 1783.

. The operations of cadbury started in india in the year 1948 in the name of cadbury india. At early stage cadbury india was importing the chocolates and repacked them before the actual distribution started to take place. With the popularity and increase in demand now cadbury india owned its manufacturing unit in thane, pune (induri), gwalior(malanpur), baddi(himachal pradesh) and banglore. its main sales office are located in the new delhi, mumbai, kolkata, and chennai. The corporate offices is in mumbai, whereas the cadbury provides 60000 employment opportunities in over 200 countries including india.

Components of supply chain:

For making delicious cadbury dairy milk and other chocolates the ingredients used as follows:

The following ingredients are used in the preparation of the delicious cadbury to make the final product of dairy milk the cadbury needs the raw material which is shown in the table. To fulfill this basic requirement cadbury india takes help of local vendors. They do agreements or contracts on annual basis and then local vendors supply them this raw materials as per requirements. apart from the cocoa beans which are extremely important for aromatic

taste for the cadbury dairy milk it is imported The pure variety of the Criollo tree is found mainly in its native Equador and Venezuela. The seeds are of finer quality than those of the Forastero variety.

The actual production process of cadury dairy milk:

Harvesting:

It is important to prevent cocoa bean from rotting. To pevent those beans from rotting the fruit is actully opened at a frementation site or at a plantation site.

Fermentation:

After the process of the harvesting the further procedure starts with the fermentation process . it is a decisive in the production of high quality of raw cocoa.

Drying;

Frist few steps are really important in the making of the delious cadbury. raw cocoa beans conatins lots of water in it . it is important to remove the all water from the cocoa beans to prevent them from rotting . in the drying process, the beans are actually dried in the natural environment where the beans actuallydried in the open air or a sum soaked ground.

Cleaning:

In this process cocoa beans goes with the cleaning process in which wood particels, jute fibres , sand and finest dust particels are also taken away. To do this process effectively cadbury uses the vaccum equipment.

Roasting:

Roasting is the actual process which is designed to developed aroma the roasting process is done in the furnace which is 10 feet high above the ground level and where the tempreture is set for the 130 degree celius.

Crushing and sheeling of beans:

Roasted beans are now broked into medium and small sized pieces as per the requirement in the crushing machine.

Blending :

It is very important part of the production process. In this process, beans aare weighed and blended according to the special recipies and requirements. In this process the various kinds of cocoa beans which constitute different taste and flavours are mixed together with each other in required balanced ratios.

Grinding:

In the process of grinding cocoa beans are progrounded by the equipment which is mainly designed for the this process . in the process the cocoa beans are fed on the rollers where they are ground into a paste which is fine in nature. Because of the heat generation it leads into the pressure an friction because of which cocoa butter is formed which approxmetely 50% of <https://assignbuster.com/supply-chains-in-the-fmcg-sector-commerce-essay/>

the bean. Contain bens is melt in this process which is in thick liquid mixture. Then the cocoa paste is prepared with the its natural stong odour , but during the process of cooling it bitter taste gradually sets down. At this stage of production, process gets divided into the two sab parts where as in the 1st part paste is taken into large press machine which extract the butter from it . and the 2nd part cosists of blending and refining processe during which some part gets converted into cocoa powder.

Cocoa powder:

After the pressing of the cocoa butter cocoa cakes which are left with the 10%-20%proportion of fat. The proportion of fat is depends on the compression intensity. Those cakes are crushed again and with the various stages passses with the manufacturing dark aromotic chocolate obtained which is generally used in the prepartion of drinks .

Rolling :

This process is completely depends on the design of the rolling mills which are genrally in three or five which are in vertically mounted steel rollers rotate in the opposite direction with the heavy presuation technique the tiney partices of cocoa and sugar down to size of 30 microns where as 1 micron is equal to 1000th part of a milimeter.

Packaging of the cadbury:

Cadbury installed the new machinery of 25 crs which gives them the better packging for all cadbury product.

All cadbury chocolates product are sealed with the plastic wrapper inside with the foil . they launched a newly flow packaging system which gives high level of resistances from bad environment and prevents the quality of the product.

Distribution strategy of cadbury:

No of distributors:

2100 distributors with the contract of 45000 retailers across india.

Retail outlets:

shops and supermarkets

restaurants and café

cinemas and theatres theme parks.

Installed coolers and vans :

Cadbury installed a coolers and vans with the it distribution network. This system helps in the season of the summer as it helps to prevent quality of cadbury.

Part : 2

Different involved in the supply chain of cadbury:

All cocoa operation done by cadbury is carried in tamil nadu. Generally cadbury india make a contract with the local framers to supply them a cocoa for the production of the all cadbury products.

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All items used in the production process of cadbury are very perishable in nature it cant be stored for longer time not even two to three days also if the raw material is not used in time then the product may hae bad and unhealthy effects.

RISK INVOLVED IN SUPPLY CHAIN MANAGEMENT AND METHODS TO OVERCOME THEM.

In today's dynamic world the manufactured product of a company faces many risks. Supply change management is a very vital process managed by the company. It involves all the process stating from warehousing of the goods till making the product available to the final consumer. The risk involved or the unexpected events posed to supply chain are as follows:-

Risk involved in material handling: handling of finished goods till the time they reach the final consumer is a very critical process. Any miss handling of the product might damage it and will lead to loss to the company. If the employee is not efficient in transporting the goods from one point to another or is not well equipped or lack in knowledge in handling the product he can cause damage to the goods.

Risk involved in storage: when the goods are ready they need to be stored in warehouses till the time the distributors can collect them. When the goods are placed in warehouses they need to be counted and stocked. If the stock is not recorded properly it can lead to loss to the company and can also lead to conflicts between the distributor and the company. The warehouses where the goods are stored should be according to the requirement of the type of goods manufactured. If the product is perishable and if the cold storage does

not have a power back up then if there is a power cut the goods might get damaged.

Risk involved in transportation: transportation of the goods is a very important step involved in the supply chain management. When the goods are transporting they are openly exposed to different types of risk such as vehicle accident, robbery, road hazards, etc.

Risk involved in demand forecasting: when a company invests in a particular product it forecasts' what will be its demand in the market. Based on that data it then manufactures a product. Forecasting is a big gamble and hence is also a very big risk. If the forecasting is happens to be right the company enjoys good profit but if the forecasting fails the company faces heavy losses.

Risk involved in material supply: To manufacture a product on time it is very important that the raw materials reach the factory on time. If the supplier does not provide the raw materials on time the production process will stop or be delayed. This involves risk of time. If the order is not finished on time the distributors might not buy the product and the company will then face very heavy loss. Hence supply of raw materials on time is very important and risky factor in supply chain management.

Risk involved in customer service: building a good customer relationship is a key to the success of the company. If a customer is not satisfied with a product performance and needs to replace or repair it he needs to be provided with a customer care unit. When the customer returns a product the process of reverse logistics starts. If there is inefficiency in delivery the

customer a good service he might never turn back to the company again. Hence the service provided to is not satisfactory it faces the risk of losing a valuable customer.

Risk involved in packaging of the product: proper packaging of the product is very important. If the product is of perishable nature and is not properly packed it is exposed to the polluted environment which can stale the product before reaching the customer. The risk here is to the goodwill of the company. For non perishable goods if the goods are not properly packed it might be difficult to handle and transport them. If the transporter is not able to handle the goods properly he might damage the product. The risk involved here is company's cost of production.

METHODS TO OVERCOME THESE RISKS

Insurance: In today's world insurance is like a boon to the manufacturers. There are different types of insurance which a manufacturer can do to avoid losses due to different factors such as damage or loss in transportation of the goods, warehousing of the goods, etc. Insurance gives the courage to the manufacturer to take risk in business.

Packaging: if the product is properly packed the manufacturer can avoid the risk of damage to the product through environment or improper material handling of the finished goods.

Efficient man power: if the employees involved in the manufacturing, transporting and handling of the product have sound knowledge about the

whole process they are indulged in the risk of unnecessary damage to the product is avoided.

Efficient machinery: machinery is a vital part in manufacturing and handling the goods. If the manufacturer keeps updated machines he can finish the production on time and avoid any risk of hurting the relation with the distributor or damaging its goodwill.

Proper information system: demand forecasting is done from all the data that is collected through information system. If the information received is proper and up to date the risk of wrong judgment is avoided. Hence the company is less prone to losses.

NEW TECHNOLOGIES USED BY CADBURY

After the pesticide case that happened with Cadbury it went through allot of changes in supply change process of the product. The new technologies it used are as follows:-

New package form: after this incident took place the company in the year 2004 announced that the packaging of its dairy milk chocolate will be completely changed. It said that the chocolates will be now packed in a wrapper which is said to be impenetrable.

Direction to the consumer: the company now states all the information on the wrapper of the product that will lead to its contamination. It specifically states the minimum temperature needs to be maintained for the best results.

Use of new software : the company uses new software such as the SKEP solutions by DynaSys and other software named SAP in 1999, these software help the company in providing supply chain planning solutions to the company.

Use of better storage facilities: due to the perishable nature of the product the company has now focused on its storage. Now even during the transportation of the chocolates from the factory to the distributors the transportation is done in cold storage vans. This avoids any risk of the product getting harmed in any way.

Supply chain network:

Supply chain network is very important part of any business. supply chain management basically means the provision of the product to the ultimate consumer. cadbury is the market leader in supply of the chololates in india as well as in abroad. We will launge our product for the first time in the indian markets to be on a safer side we will distribute our product at very local and regional area. We can design a supply chain network our product as follows.

If we want to distribute our product on lacial level then we can design our supply chain network as described as above. Here the total network of supply chain network can be described. The chain will start with the process of manufacturing of chololates of different falvours basically vanilla, strawbery and chololate falvour. As we eneterd in the business newly to cut down the cost of supply chain we will established the call centres at regional level. by doing this we can avoid the caryforwarding agents which will help <https://assignbuster.com/supply-chains-in-the-fmcg-sector-commerce-essay/>

us to maintain our costs. After establishing the call centres at regional level we will do promotional activity to promote our chocolates at local level. Here comes the second part of our supply chain network and that is retailers . retailers will play the most important part here as they will give us call when they want to place an order with us. By doing this we can avoid the wholesalers in our network. As everyone knows chocolate is a very delicate item in nature which is very perishable in nature. By establishing the call centres we already avoided the carrying forwarding agents and with the help of the retailers we avoided the wholesalers, here we benefited in two ways:

by avoiding the carrying forward agents and wholesalers we avoid the mishandling of our product by which the quality of chocolate will remain constant until it reaches to the final customers.

It will save our cost in the manufacturing , and in supplying the finished goods as retailers will give us order we will prepare the chocolate according to their demand by taking this into consideration we can handle the inventory management effectively and losses occurred because of the perishability of raw material can be avoided in some percentage which will benefit to us.

After placing the order by the retailers out of the 20% of the total payment retailers will pay advance payment online . this will give us assurance in the order placement also it will provide clear payment information of any retailer and it will give transparency in the mode of payment. After placing the order and the all manufacturing process the second most important part comes into picture and that is the distribution part. As we already removed

the barrier of the carryforwarding agents and the wholesalers we can distribute our product very easily to the retailers. To do distribution effectively we will hire the 'GATI' transporters to distribute our product to retailers. We will do the contracts with these transporters on an annual basis. GATI have a wide distribution network which will help us in distribution we can hire a specially designed vans with the air conditioning technology which help to retain the quality of our product until it reaches to the ultimate customer. At the time of order placing retailers will give us all information regarding the delivery of goods and with the help of GATI we can establish a deep and wide network of distribution by which we can deliver a better product in low cost in early time. After reaching to the retailers we will provide them a refrigerator facility which will help to maintain the lower temperature which will help in retention of quality of our product.

Order processing :

Order processing is the basic and important part in any supply chain management. It is a highly automated area and broad in nature. Order processing is nothing but it is all about getting order from customers, checking the order status which is made by customers. Basically it is a process where filling the order and making it available to the customers. Checking of inventory status, customer credit, invoicing and accounts receivable falls under the order processing. It is a key area of customer attention if order processing of the any organisation is effective in nature it will create a positive impact on the customer's perception of service and it will create a favorable response in the form of satisfaction. As we are dealing with a perishable item that is chocolate we decided to distribute our product

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at very local and regional level to maintain the quality matters. Here retailers and customers will feel very satisfied about our product as will make chocolates as per the demand made by the retailers and ultimately customers. By establishing the exclusive call center service for our retailers we can establish a close relationship with the every retailers by doing this we will come to know about the customers expectations about our product and also the suggestions we will help us to modify our strategy. As chocolates will be made by an order it will definitely reduce our inventory cost as all raw material which are required in production process it is a perishable in nature the loss occurred by inventory will be less than other organisations. By avoiding the wholesaler and carry forwarding agents we already achieved the success as a loss occurred by mishandling will be less. With the technological advancement we will change our order processing system. We can use exclusive methods of order processing like EDI (electronic data interchange) EFT (electronic funds transfer) the whole process of the order processing will be faster, easier, and effective because of this whole system we gain the customer attention and retention also. Because of this whole new development in order processing which we going to adopt will help us to maintain our timing factor which will create a favorable response. Taking into the consideration of the new technology of EDI we will achieve following benefits:

Paperwork will be reduced because of which filling process will be easy .

Accuracy will be improved because of reduction in the manual processing.

Speed of order transmission and other data will be increased.

Opportunity for proactive contribution by purchasing because less time is spent on clerical task.

Information will be available at any point of time.

Workload will be reduced and accuracy will be increased of other departments because of linking through this process and other services like bar coding inventory and electronic funds transfer.

Reduced inventory cost because of improved accuracy.

Inventory management :

Inventory basically consists of the :

Stores inventory which consists of the raw material used in production process , spares and other components.

Work in process which consists with the semi finished goods lying mostly on factory floor.

Finished goods consists of the goods which are lying in the store prior to despatch for sale.

For the effective inventory management control regarding our product it is really very important for us to take care of raw material as required raw material of our product is very perishable in nature . so we will control the stor inventory by ordering only that quantity of raw material which is actually required for the production process. We will acquired our raw material from the local vendors which will be near to our production unit. This will helps us

in time management and it will also help us to avoid the qualitative loss occurred during the transformation of the raw material to the finished goods. To manage inventory control effectively and taking the risk factor into the consideration we will order only 2% more of the total requirement of the raw material. This will help us to insure the loss occurred during the second stage that is work in process. After completion of all production process the finished goods will be sent to the gate transporters. By doing this three stage inventory control we can achieve the following benefits:

We will get the time lead

We can analyze the delivery time ;

We can eliminate the low turnover/ obsolete items.

We can analyze the customer demand and its characteristics.

Successful planning in the demand forecasting by predetermined logic.

Re-engineering inventory management practices which also includes the warehousing and transportation.

Inventory management also includes the delivery of the goods at right time at right place to the right person. If we want to succeed in the inventory management we should adopt the certain advanced routes of distribution. Like we can take the management party orders where we can supply our chocolates to the management institutes where corporate programmes are arranged by doing this we can actually reach to the customers.

Warehousing :

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Warehousing is also an important part of the any logistic system. warehousing is important because it provides a desired level of customer service at lowest possible of total cost . warehousing can be defined as that part of the firms logistics system which stores the products here product means the raw material, parts, goods in process, finished goods at the between point of origin and the point of consumption , and provides information to the management on the status condition on the items which are stored . warehousing of the product has occurred because:

To achieve the transportation economies and production economies.

To maintain the source of supply.

To meet the changing market condition.

Helps to provide customers with a mix of products instead of a single product on each order.

It helps in provision of temporary storage of materials to be disposed or recycled.

In our case warehouse is extremely important as all raw material required for the production process is highly perishable in nature . not only the raw material but our finished good is also perishable in nature. In the production process also it is really important to maintain the particular temperature of the product . to retain the temperature which is directly related to the quality we will design the cold storage warehousing system where our raw materials and the finished goods will be stored.

TRANSPORTATION: since the business of our product is limited till the local level and is done on a small scale I would not spend much of my capital on any high grade transport company. There are many small transport dealers with whom I can get into a short contract.

Even though my business is of small scale it is still very important that my goods are transported on time without damage. Hence I will choose the best local transporter for my goods who is efficient in his work. uninterrupted transport of goods will help my business and goodwill to grow.

MATERIAL HANDLING: material handling is a process which involves procuring raw materials to convert it into finished goods. The raw materials that I would require to manufacture my chocolates would be milk, cocoa and sugar.

Milk is a perishable product; it cannot be bought in bulk and stored for a long period of time. Hence I would need to find a supplier who can provide me milk on daily basis. It can be from dairy's like the " modern dairy" in pune or " diliwaala". Who has the capacity to provide milk according to our demand.

Since mine is a small company the capital available is also limited hence I would choose the supplier for cocoa and sugar through bidding method. The supplier that would provide me my raw materials at the lowest cost I will do business with him.

Although cocoa and sugar are perishable products they can be stored for more than a week hence placing the order for raw materials becomes easy.

The main customers for local chocolates are the small retailers or the kiraana shops. I would appoint agents who can sell my products to these shops and if there is any problem with the product, i. e. if they find it stale or expired they can return the product to my agents who will then later submit the returned product to the company. The kirana shop owner can adjust the amount at the time of next order.

INFORMATION SYSTEM: since my company has a small scale business it will be difficult for me to heir large survey companies. Hence my key information tool would be local market survey and mouth to mouth information system.

For the information of raw materials suppliers I can search it online or through local market networking.

Getting information or feedback from the customers can also be very useful for the growth of my company. Since my capital limited I cannot set up a call center for the customers but I can open a P. O. BOX number where the customers can write their suggestions or queries.

Information for the labors required for the company can be attained from the local contractors or thekedars. Who can also help in providing laborers on daily basis.

Logistics in packaging:

It is important that the packaging of product should statisfy the provisions of the law .

It is important that it should meet the requirement of the carriers who transport the goods.

It should be kept in mind the material handling equipment used for the moving product in the logistics chain.

In case of the of our product we should be extremely careful because of the perishability of the product. To retain our quality of the our product we will used the following pacaking system,

The final prouct will be firstly wrapped into the aluminium foil paper . with the protection of the foil paper we will be secured from the qualitative loss which can be ooccured during the transfer of the goods .

After wrapping with the aluminium foil next ppackaging procedure will be start with the wrapping up the paper around the aluminium foil which help in protection. The next wrapping procedure will be of the plasctic paper which will be of high desnsity and approved by the government laws. The fianl packaing of the product will contain all the infoarmation of the company and the product . the manufacturing process and the raw material used , the manufacturing as well as expiry date and other information like quantitative value of the raw materialand other infoarmation.

Conclusion and recommendations:

Conclusions:

Supply chain mangement is the most imporatnt part in the business. From this assignment we understood the inbound and outbound logistics of the

chain management. we also understood how actually cadbury is made in the factory their distribustion startegy .

Recommendations:

If cadbury wants to spread their market and want to get connected with thethier customers so they can actually take order from management institutes for the monthly parties which generally occurred in the monh end. Apart from it cadury can actually introduced various falvours in th cadury dairy milk falvour.