

Supply chain strategy of colgate palmolive commerce essay



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An organization strives to be the leader in its industry by following a well-designed strategy that incorporates the company mission, vision, values, goals and objectives so that it can attain its long-term competitive position in the market. One of the vital elements of any business organization is its supply chain strategy and it needs to be properly aligned with the business strategy (Bhardwaj & Mitra, 2010). Any company that does not have a well-integrated Supply Chain Management (SCM) strategy is unable to successfully meet the demands of its target market.

The SCM strategy ensures that the logistics of the company are planned out in advance so that there is adequate supply of raw materials, minimum level of inventory is maintained and the supply chain operations' cost is reduced; all of these measures ensure that an organization is able to generate an appropriate amount of profit and maintain its strong position in the industry (Cho et al., 2011). Every strategy in the SCM comprises of the plan that the company will implement for achieving its goal of capturing the target market and enhancing the satisfaction level of consumers.

According to Sehgal (2011), the success of a supply chain strategy mandates the adoption of SCM strategy that is properly aligned with the organization's business strategy and ensures that its resources and capabilities are utilized in highly effective manner. The business strategy of a company is defined as the key element that guides the organization in making decisions that are compatible with the requirements of its objectives so that it can make successful progression and improve its profitability effectively. It is believed that SCM strategy is highly dependent on the business strategy as it is the

basis on which most of the companies want to compete in the market and gain competitive edge for long period (Elgazaar et al., 2012).

For instance, if a company is offering customized products like Dell, then it will have to ensure that it has an efficient and coordinated SCM strategy which will assist it in fulfilling the demands of the customers perfectly and on time. If Dell faces shortage of key parts or prices of its raw materials rise significantly, then it will be unable to offer the products at reasonable prices. However, the success of Dell is largely dependent on the development of an effective SCM strategy that is compatible with its business objective of offering customized products to the consumers at cheap rates with the fastest delivery process (Green, Whitten & Inman, 2011).

As the raw material issues are being faced by the companies worldwide, it has become important for every organization to enter into contractual agreements with the suppliers so that it can minimize its risk of facing any raw material shortage in its business tenure (). With the help of variable cost agreement, both the buyer and seller will have a win-win situation; each party will get exposure to the advantages of changes in the price. The seller is protected from the increase in price that could have eroded the margins and the buyer can avail the low priced product if the price of commodity declines during the period of a contract (Business for Social Responsibility, 2008).

Hence, an SCM strategy should be developed in accordance with the organization's vision, mission and goals so that it is compatible with its business strategy and provide support to the company for fulfilling its

promise of delivering the products and services within agreed time period (Elmeziane, Chuanmin, & Elmeziane, 2011). It is vital for every firm to realize that if the supply chain strategy lacks alignment with the business strategy then there are huge chances that its business operations get severely impacted; in some extreme cases, the companies have undergone bankruptcy as well.

Introduction of Colgate-Palmolive

Colgate-Palmolive is among the leading Multinational Corporations that has been give top ranking in the consumer products category. It has its headquarters in New York and it is believed to have an asset of \$94 billion that comprises of all its products that it is selling in more than two hundred countries. Colgate-Palmolive is involved in the business of manufacturing and selling of various consumer products that comprise of cleaning products, soaps, toothpastes and pet supplies; it has broadly classified its products into two categories i. e. Oral, Personal and Home Care and Pet Nutrition (“Supply Chain Management”, 2012).

Since the company has its operations in various regions across the globe, it is of immense importance to have a well-integrated system that will help in efficient and quick exchange of valuable data and information. Initially, Colgate-Palmolive had a decentralized structure that was creating many issues in its business operations especially in Supply Chain Management (SCM). In November 1999, the management team of the company decided to revamp its IT infrastructure by implementing a unique and innovative system that ensured integration of every function throughout the organization

across all its operational activities on international level (Bolstroff, & Rosenbaum, 2011).

The global SCM system of Colgate-Palmolive has been replaced with SAP R/3 solution so that it can capitalize on its resources along with enhancement of the global SCM management so that the retailers, customers and management were provided service of superior quality, inventory cost was controlled to a great extent and revenue stream started to increase at a good pace (Blanchard, 2010).

Colgate-Palmolive vision and core values

The vision statement of Colgate-Palmolive is “ To offer products on the basis of three core values i. e. global teamwork, caring attitude and improvement on continuous basis”. The core values of the company are as follows:

To offer growth opportunities to the company’s employees both on professional and personal levels.

To fulfill all Corporate Social Responsibilities as a key member of the community on global level.

To enhance the value of shareholders.

To develop processes and policies that will ensure that the company is able to strengthen its position in the market and respective industry.

To explore all latest initiatives and opportunities that are existing in the market.

Supply Chain Structure of Colgate-Palmolive

In order to solve the main issue of Colgate-Palmolive, Colgate's global supply chain system was developed; the three key supply chain strategies that formed the basis of this system. The first one was the introduction of the Vendor Inventory Control (VMI) product so that there was a decline in the inventory channel and timing of the cycle as well. The second strategy was the implementation of a resource planning system at cross-border level so that regional models were developed for the international patterns; it ensured that the company had adequate pool of assets so that there was a balance with the company's business strategy.

The last and final strategy was implementation of a collaborative program that ensured there was a well-balanced downstream business system for effective management of the market demand of supply chain along with effective coordination of the system's activities. With the help of new system, everyone in the organization is well-aware of the supply chain statistics; the IT system has enhanced the company's SCM system which has helped in utilizing the supply chain information with accuracy so that the consumers always had easy access to the products and the shortage problems was reduced by 50% in the first three months of the SAP R/3 implementation.

Global Resource Utilization in Colgate-Palmolive

When new and innovative systems were installed in the company that comprised of SAP R/3 ERP software along with Oracle related DBMS (Database Management System) and Solaris Operating System developed by the Sun hardware platform, the company was able to take advantage of a <https://assignbuster.com/supply-chain-strategy-of-colgate-palmolive-commerce-essay/>

well-integrated system. Colgate-Palmolive was able to integrate with its cross-regional resource use systems (CBS) demand and resource information about the international demand effectively. Since the input was rapid, there was an increase in the number of shipments, reduction in the number of improper or incomplete orders and a significant decline in the number of inventory.

With the help of the latest SCM system, the suppliers had developed direct links with the company's production unit and they were responsible for effective management of resources at the distribution centers for supplementing Colgate-Palmolive business operations. This new system is based on the order flow of the customers and driven by the distribution centers of Colgate around the globe as the suppliers are now directly supplying the products.

The business control procedures in CBS are supported by SCM system of SAP that is heavily dependent on the signals of daily demand along with the replenishment orders of inventory which are determined by the calculation. With the help of this system, the supply and demand level is maintained at a consistent level that helps the company in being more responsive to the fulfillment of special orders. It has been observed by the company that there is a significant reduction in the forecast inaccuracy, product inventory level is reduced, increase in the number of orders fulfillment, reduction in cycle time and the completed orders rate is further enhanced.

The SCM strategy has three main elements for real-time integration model i. e. SAP support system for stock, orders and other indices of market, real

information about the customer order demands and effective integration of ERP, SCM and CRM systems. The company is aiming that the SCM strategy is effectively implemented in all its firms across the globe; VMI, collaborative engine and CBS are applied to all shopping malls and brands so that effectiveness of SCM can be managed effectively.

As the supply chain information is more visible, there are high chances that the company has access to timely, consistent and accurate data that will ensure that the planning decisions are made efficiently so that the company is able to achieve its goals successfully. In order to ensure that there is an effective decision-making process throughout the enterprise, Business Intelligence System will allow Colgate-Palmolive to have quick access to precise and consistent data.

With the help of SCM system, the company will be able to enhance its market competitiveness along with strengthening its position in the global business development, gaining competitive edge in the price war and marketing its products in a strategic way. In order to enhance its business operations, Colgate has integrated its e-enterprise by developing cordial and closer relations with its partners and customers.

Conclusion

For every organization, it is important to have a well-integrated SCM system that will ensure that its supply chain strategy is complementing the business strategy. With the help of an effective SCM system, Colgate and its consumers and partners can have quicker and on-time orders, production planning and inventory management is effectively done, order fulfillment rate

increases at a higher level, forecasting is efficiently completed and performance of the company can be easily monitored.

Hence, Colgate-Palmolive has completely revamped its SCM structure so that it can maintain its image as a global leader in the consumer products market by fulfilling all orders on time and controlling the costs that will help it to make investment in other alternatives for further expansion decisions.

Therefore, an effective SCM system is one that is aligned with the business strategy which will ensure that the company is able to achieve its objectives effectively, productively and profitability.