

Case Study of Nestle Supply Chain Management PDF Essay with 4 Project; Supply chain management has gained its importance in serving business operations and being part of the strategic management of the business. Its role has been shifted from being a support department to being the core department of business with strategic importance and role to play in the overall operations of the business. In a modern business world, no organization can sustain itself without having well-established, effective, and efficient supply chain management. The role of vendors along with vendor management with the introduction of information technology is an important consideration for organizations.

Here is the article to explain, the Nestle Supply Chain Management Case Study PDF Essay with 4 Projects!

Now with the increase of strategic importance of supply chain management the service provider is now becoming a partner to the organization, rather than being just the vendor. The factor influencing the competitive advantage of the organization is now having better vendor management and vendor relations in the list. Therefore in the coming years, the importance of supply chain management is expected to increase with the increase in competition and globalization.

To understand the strategic supply chain management, key concepts, and use of information technology to maintain vendor relationships, this report is presented on one of the leading FMCG companies Nestle. Their products range is wide and the concentration of this report is on the organization's Pakistan operations. Since Pakistan is part of their global supply chain operations but for their milk products, they have to rely on the local milk suppliers who are not very much educated and well equipped. Therefore managing them is a challenge for the organization and the same challenge and its handling is under study in this report. There are some recommendations also given at the end so that improvements can be made in the local supply chain.

Project Part 01;

Current Supply Chain Strategies in Nestle;

In these lines, I shall be looking at the supply chain management of Nestle Pakistan's operation and would not be discussing the global supply chain management of the organization. The organization has remarkable production facilities in the country and they have also enjoyed a healthy market share for the last few decades. One of the reasons for the success of the organization is its vendor management and intelligent distribution system.

The market in Pakistan is mostly dependent upon the distribution network and the same has been managed by the organization in recent years by having excellent relationships with their channel members and logistics. Their distribution network makes sure that every product is distributed in the required areas at the required time and the demand and supply do not have any gap. Their distribution setup is synced with their production system therefore they do not have to manage the inventory of the product for a longer period. This strategy has saved the organization on the financial side moreover they have been able to provide the product to the market at demand.

The second side of their supply chain management is their vendor management, they have applied the just-in-time management concept in their raw material procurement and vendors are very well synced with the procurement, and procurement is synced with the production and other support departments. This just in time management has also saved the organization the inventory management cost of the raw material and they can maintain a very low level of the inventory. Their vendor is also required to make sure that their raw material reaches the organization on time.

Use of IT to Maintain Vendor Relationships;

Information technology is serving organizations to manage their business operations in different ways; the same concept can also be applied to manage vendor relationships with Nestle Pakistan's operations.

The organization can design a procurement network that is integrated with the various departments of the organization. And the procurement department can have information technology-based applications that are also integrated with the systems of the vendors and are automated. By using this system organizations have the concept of just in time management applied in full spirit and the vendors will also be aware of the production schedules of the organization and they will be able to plan their delivery and their production planning according (Hugos, 2006).

The above-mentioned scenario will make it easy and convenient for the vendors to do business with the organization and they will have better relationships with the organization and will continue to do business with them. By having these relationships with the organization they will be able to be partners of the company.

Project Part 02;

The assistance of IT in the Supply Chain;

The use of information technology can assist a great deal in the management of the supply chain in the case of Nestle Pakistan operations. In the global supply chain, nestle is making use of supply chain management tools that are supported by the latest technology available. These tools can integrate different parts of the supply chain that includes the just-in-time management of raw materials, automation of order generation to vendors and the logistics of raw material from a vendor to the warehouse, and the distribution of the finished goods to the different channels.

Previously all the above-mentioned parts of the supply chain were disintegrated or in some organizations, these parts were partially integrated. Now information technology has made it possible and easy to manage all these parts of the supply chain from one terminal and these parts are integrated with more automation. An example of this integration is simple, once the inventory level reaches the pre-defined minimum for the raw material at the production facility, then the order management system which is connected to the inventory management system, automatically generated orders to the pre-defined vendors. The order receiving systems of vendors are connected with the procurement systems of the organization.

After the vendor is intimated, they manage to supply the required stuff and required quantity to the organization's warehouse which is already intimated for the order delivery. All this process is done via an integrated system which is called ERP. The application of these information technology tools makes the organization able to save their time and management resources and make the vendor the partners of the organization above all this usage of IT bring automation in the processes which is the requirement of production-oriented organizations.

Effectiveness of IT in Management of Supply Chain in Nestle;

When we talk about effectively using the information technology in the Pakistan market with local vendors that we see that our case company has been able to improve a lot in recent years. Since the market of Pakistan is still in the developing phase and modern management and information technology practices are yet to be adapted in this market. Since Nestle for their business requires a team of vendors that can provide timely supplies therefore they had to work hard to induct the modern practices in their supply chain about the market conditions.

Apart from the current IT tools to help the organization gain the best out of their supply chain management, there is a function in which information technology and its use can play an important part in the management of the business, and which is still to be explored. This area is related to the supply chain management of their milk products. For their milk brand which is called "MILK PAK," they need to collect the milk from farm and village areas of the market as the milk production is mostly done in the rural areas of Pakistan.

Their milk collection process is done on daily basis and it is still on a manual basis. There can be the use of information technology by using this they can maintain the database of their milk vendors which are small, geographically distributed, and dispersed in locations. Moreover, they

can also use information technology to locate their collection van using global positioning systems and install trackers in them so that they can make sure the safety of the milk and the vans.

Project Part 03;

Role of Logistics in Supply Chain;

Logistics has an important role to play in the overall supply chain management of any organization. Logistics are the activities that are designed to keep the goods or services moving from one destination to the other destination. This movement of goods or services can be related to the raw material needed for a production setup, and its movement would be from vendor premises to the organizational premises this movement can also be related to the movement of the finished good from the organizational production facility to the channel member facility.

In the overall management of the supply chain, the logistics part has its importance. Since the production-oriented business is all about timing. If the raw material is not available to the production facility then the whole production cycle will get disturbed and similarly if the finished good is not reached to the channel members then they will not be able to distribute it on time and the result will be the complete failure of the business plan.

Consideration for any organization would be to have the logistics set up planned and implemented that is consuming less cost of operations moreover which is integrated with the supply and demand channels of the organization. The ability to design such a logistics setup helps the organization to achieve its supply chain objectives by putting a minimum cost to it. The success of any supply chain management is dependent upon the design of logistics, the smarter the design which can serve maximum in minimum cost the better the performance of supply chain roles will be. The focus of our case organization is to design a global logistics channel that can satisfy global business needs at minimum costs. And they have been able to handle this challenge smartly.

Evaluation of Procurement Practices in Nestle;

Procurement practices in Nestle global, as well as Nestle Pakistan, are streamlined and working on smarter management concepts. It would not be wrong to say that one of the success factors for their profitability in Pakistan is their vendor relations and smart procurement. Nestle Pakistan has to procure different goods and services from different kinds of the vendor for their operations; these goods range from the raw material for their finished goods as well as the supplies for the

support departments like marketing. The overall philosophy of Nestle Pakistan procurement is to focus on quality as well as business efficiency.

When we talk about the milk production of the case company then we see that the procurement of the milk from different villagers that are spread across Pakistan is a challenge and the organization has been able to cater to this challenge very well. The important factor in the procurement of raw milk is to make sure that milk is pure, hygienic, and fresh. These things are made sure by designing a well-established vendor network that is responsible for the procurement of fresh milk upon the above-mentioned properties.

Their procurement department has selected reliable and quality vendors that include small to medium-sized dairies that provide quality milk to the company. Also, Their procurement department also makes sure that the milk is fresh, hygienic, and above the standards defined by the organization. Their logistics have made sure that the fresh milk reaches the production facility on daily basis. The same care and quality consciousness have been practiced in other procurement tasks, and in short, we can say that procurement processes at the organization are of high standards.

Factors for Improvement in Logistics & Procurement;

Several factors are to be considered when organizations go for reviewing and improving their logistics and procurement. The first factor that is to be taken care of is the bargaining power of the suppliers. The higher the bargaining power of suppliers the higher will be the requirement for the organization to maintain and build good relationships with their suppliers. In industries where such power is with suppliers, organizations have to design their procurement process which is supplier friendly and encourages the organizations to have good friendly relationships with their vendor, focusing on making them their partners in business and getting the competitive edge out of it.

The second factor which is to be taken into consideration is the cost factor, the procurement and logistics can be costly to the organization if not designed creatively. The logistics are costly when their inbound and outbound management is not done in the way to maximize productivity. Therefore when organizations design the procurement and logistics process they should keep in mind the cost of procuring the goods and service along with the distribution cost of the good should be minimum. These costs include the time and resources costs as well.

Another important consideration is related to the integration of procurement and logistics with the rest of the business operation. Organizations when improving these processes should also make sure that the maximum integration is possible with other departments like production. They should be working on the automation of the processes that should be managed by the single hub. This way the costs of operations will be minimum and automation and integration of all the operations will save time and increase efficiency in the business processes. They should also make sure that integration also includes the vendors.

Project Part 04;

Strategy for the Improvement of Supply Chain;

Presented below is a brief overview of the strategy that can be used to improve the supply chain management of the organization. The focus of the strategy is to improve the supply chain management of Nestle Pakistan's operations. While reviewing this strategy it should be kept in mind that Pakistan is a developing country and their vendor management and logistics operations are being run on old school management. The mentioned below points are focusing on vendor management and to increase the use of information technology to bring overall improvement.

First of all the organization should work on vendor relationship management, up till now the balance of power was with the organizations in the Pakistani market, but with the introduction of the global economy and open market more players are entering Pakistan and now the importance of vendors is increasing. Keeping this view in mind Nestle should be working on increasing the organization and vendor integration and they should be made business partners. This can be done via having automation and integration with vendor systems and simply keeping them motivated to be partners with the organization.

The second improvement which is required is to start the use of information technology in their supply chain management process. Up till now, the organization is using the information technology internally but they have to move out and make their vendor also use this tool. One can argue that current vendors are not that advance in using technologies but I would say that organizations would have to educate their vendors and make them part of their organizational process, this way they will be able to achieve a true partnership with their suppliers and the operations of the supply chain will improve a great deal.

Benefits of Improvement to Business Operations;

The improvements suggested above have different benefits to the organizational business operations, these benefits range from operation to strategic benefits. The first benefit that organizations will have is that they will have a strategic competitive advantage by partnering with the suppliers of the raw material of their products. The business era is changing the market and now other players are also entering into the same market, now the competitive advantage will be with the organizations which have a strategic partnership with their suppliers as well. The increases in the competition have also made the suppliers aware of their important role and they are also feeling the shifting balance of power. So it will be advisable to make the partnership before others do.

The second improvement is related to the use of information technology in supply chain management and it has many benefits for the organization. First of all the organization will be able to achieve the integration between different departments playing their part in the value chain. Once this is done it will save time and financial resources to the organization as the processes will be streamlined and efficiency will increase. The second benefit of the IT usage will be that vendors and suppliers can also be made part of the organizational processes and with that supply chain, overall and procurement processes in specific will be improved. This will again help the organization to get business efficiency.

The third benefit is related to the distribution part of the supply chain, organizations will, with the usage of information technology, have the most streamlined distribution network when they have partnered with their channel members, and this will also help in the improvement of the business.

Overcoming the Barriers to Change in Improvement Strategy;

Whenever there is a strategic change barriers are always there. These barriers are to be removed with the creation of understanding and delegation. The first process is to make the management understand that what are the benefits of the new strategy advised for the strategic change in supply change management. Moreover, the management will also be informed about the challenges it has to face if they do not adopt the required changes in the market. The top management in the first phase will be made part of the process and the strategic importance of the change will be introduced to them.

In the second phase where the top management will already be convinced about the required change, the middle management will be taken into confidence, at this stage, the vendors will also be made part of the process so that they are aware of their role in the organization. This stage will also be comprising the rough drafts of the change. In this process, all the vendors and relevant departments will be encouraged to give their feedback about the suggested changes moreover their suggestions will also be noted for any improvement.

All this discussion and delegation will create a sense of ownership in management and their feedback will make them realize that this is something for their benefit and they will start owning it. Once the ownership is there, the barriers to change will start reducing and fear of the unknown will be removed. With this process, the implementation of the strategic change will be made successful and finally, the concerned departments will also be provided with the required training.

Conclusion;

In this report I have discusses various kinds of supply chain strategies and the use of information technology to improve the supply chain. The organization selected for the analysis was Nestle Pakistan, and their supply chain strategies were discussed briefly. The organization is having impressive supply chain management however they need to concentrate on two dimensions. One solution is the concentration on making the vendors partners of the organization. The second solution is increasing the use of information technology tools to manage vendor relationships.