**Headline:** GCPL fills gap in supply chain

**Description:** With a lean supply chain and a cost-effective logistics network, GCPL is cutting logistics costs by up to 10 per cent a year

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For consumer goods players, fill rate is a key indicator of how healthy and efficient their supply chain and logistics function is. The matrix determines a company’s ability to meet customer demand with stock at hand, thereby minimising inventory handling costs. Among Indian consumer firms, Godrej claims to have a fill rate of 99 per cent domestically — the highest in an industry with an average of 92 per cent. With a high fill rate, the company is working towards reducing its logistics costs by five to 10 per cent every year. Godrej’s high fill rate is a result of the consumer company running a lean supply chain and a cost-effective logistics network. “We are running our operations fully on replenishment basis. Not only is our customer demand linked backward, but we also have a backward integrated production and procurement system.

This helps us effectively plan a flexible manufacturing line and run an equally flexible logistics function,” says Rakesh Sinha, head of global supply chain, manufacturing and IT, Godrej Consumer Products Ltd. The company has outsourced its logistics function. The fact that it does not maintain its own fleet of vehicles for transporting goods manufactured out of its 25 factories helps Godrej keep logistics cost low. Through its logistics partner, the company, on an average, runs 300 trucks (vehicles) ferrying goods on a daily basis. However, depending on the demand for its products in the market, the company retains the flexibility of running the number of sorties on a daily basis. In addition, it determines the capacity of goods containers depending upon the volumes of products that are to be transported. Importantly, fill rate is dependent on how frequently a company responds to market demand. Godrej has maximised its time lag in responding to demand for its products. It has been able to do this by delinking product demand from sales. Essentially, the company has moved away from a forecast-based sales model. Instead, Godrej now goes with the daily sales data provided by 1,700 of its distributors.

They provide the company the actual number of products or goods moved to retailers in the market. This in turn offers the company a fair assessment of the quantity of goods that it needs to produce in its factories and move out to key distribution centres. “The fill rate is a function of multiple factors. A high fill rate cannot be looked at in isolation. A number of factors contribute to it,” says Vishal Talwar, dean, School of Management, BML Munjal University. According to him, a high fill rate is dependent on an organisation’s capability to capture market demand correctly, having a streamlined raw material purchase policy in place. A strong replenishment cycle and effective reverse logistics practices contribute to a high fill rate. Godrej’s high fill rate is also a result of running an effective reverse logistics practice. The consumer durable goods company has a cluster of 25 manufacturing units across the country. For the purpose of effectively moving around its produced stock, the company has identified major transport lanes.

That is, it has key corridors running from, say, Delhi to Puducherry or from Haryana to Mumbai or Calcutta. All the pick and drops from factories are planned in a manner that trucks do not run empty on these routes. However, it need not be the same truck which unloads and ferries back the goods on the same route. Depending upon the trucker’s convenience, it could be a different vehicle which carries back another batch of goods to a factory from Puducherry to Delhi. Over the years, Godrej has completely automated its replenishment cycle. As regards to movement of produced goods, Godrej doesn’t have to get into manual calculation of which finished products need to be moved around from factories, its key distribution centres and 36 of its carry-and- forward goods centres.

Also, its warehouses have resorted to vertical stacking, aiding easy and quick identification and location of finished goods. Sinha says all Godrej products moving out of the factory sport a unique bar code. For instance, each case (pack) carrying 100 to 150 soap bars has a unique bar code which helps the company to track real-time movements of the goods when they are on the road. The unique bar code also helps warehouse workers to zero down on the oldest batch of products lying on the premises and prompts them to move it out fast. Talwar explains, “A lot of industries that are into production of heavy duty goods have been able to achieve a high fill rate by leveraging a combination of factors.

So, from that perspective, Godrej’s high fill rate is no surprise.” However, what is noteworthy is the company’s consistency in maintaining a high fill rate given day-to-day challenges of vehicle breakdowns or natural challenges such as the recent Mumbai floods. The company may also at times have to grapple with issues such as delayed supplies from vendors and temporary setbacks at manufacturing units.