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CASE STUDY

Supply Chain Management in Kraft



Industry

Food

Application Area

Sales and Marketing Balanced Scorecard

Company

Kraft Foods is built on a history of quality and innovation that dates back literally more than 200 years ago. Since that time, many people and companies around the world have been working together to build up Kraft Foods: the second largest food and beverage company in the world. Around the globe, in 145 countries, more than 113,000 employees are committed to bring the world its favourite foods with well-known brands like Kraft, Oscar Mayer, Philadelphia, Milka, Sushard, Toblerone.

Core business is based on five sectors: snacks, beverage, cheese, fishing products and convenient meals. Kraft's superior portfolio of brands is supported through dynamic product innovation, world class marketing and global scale. It includes 61 brands with revenue over 0 million, including six with revenue over million and ranking as #1 within 21 of their 25 top categories in both the U.S., Kraft's home country, and abroad.

In order to maintain its market leadership, these products should reach their destinations faster and faster, but in the most effective way: that's why planning, controlling and supply chain management processes are actually identified as true key success factor.

BOARD Solution

Once "Big Clients" started with many request for high level of service, decrease of logistic and administrative costs, collaboration in projects about new product & technologies, Kraft Foods already decided to set up the Supply Chain department in the early days of 2000.

This new area has been given the responsibility of the goods' delivery process and mainly this goal: clients should receive exactly the goods they need, fitting the best quality condition, in the right time and with the lowest cost possible. In order to make all this possible: the impact spreads to purchase process, demand planning, logistics as well as customer service and, so far, credit management issues.

According to such a complexity and huge amount of information required, we were then asked for a complete in-depth analysis of supply chain management process.

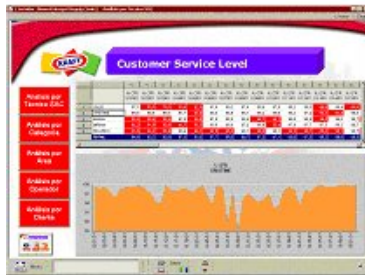
Applying a step-by-step development approach, SDG consulting team set up the Management Intelligence project, focused on three main modules:





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- Customer Service Level;
- Cost To Serve;
- Logistics Costs Budgeting

Customer Service Level

For any given order a client apply for, a series of different processes is brought about up to the delivery of the order itself.

This project module aims to provide the Supply Chain department, together with process owners for order deliveries, a Consolidated Control System enabling the key users to monitor the customer service levels in a glance.

These information, therefore, are available for Supply Chain, Finance, Marketing and Sales departments as well as third parties such as suppliers and clients.

In order to evaluate delivery process' efficiency, indicators were defined according to this dimensions of analysis: packages, orders, delivery notes and invoices.

These elements are actually the starting points used to evaluate the Service Level itself, enforcing the assessment of the delivery process' efficiency.

Moreover, identification and analysis of the reasons that really cause inefficiency, was found as one of the key-factors in Customer Service Level Monitoring. "If we are able to find and to know where are they, how frequently and when do they take place, we will fully understand the cause-effect relationships and then figure out a solution". This is the main driver that can definitely help us improving our Delivery System.

The next step is then a detailed analysis of the incomplete or not expected deliveries: you can finally check which products are missing, the reasons for that and which clients suffered these error. This information is in charge of the Customer Service department, whose main task is eventually to look after the solution of this type of accidents.



Cost To Serve

Analysing data at the lowest level of detail - delivery note level - actually allows Kraft to keep under control the efficiency of their logistic network; they receive complete weekly activity reports, aiming at helping them to find new opportunities of improvement within their day-by-day processes.

Cost To Serve module controls and optimizes logistic costs for serving any client, in order to support decision processes identifying inefficiencies and finding out any opportunities of scale-economy within Kraft's supply chain.

These costs depend mainly on Kraft logistic structure (factories and warehouses location) and on the delivery conditions requested by each given client (size, packaging, structure and order frequency).



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Data - available for any client - can be analysed based on this axis:

- Delivery Point
- Product
- Store of supply & confirmation
- % of track use (cargo)
- Order size (according to a given scale)
- Order structure (complete pallet or picking)

15 different types of costs are analysed, supporting the following processes:

- Direct Delivery from factory;
- Primary transport (from the factory to the warehouse);
- Stocking;
- Distribution;
- Penalties and agreements.

Logistics Cost Budgeting

This project's module comes directly from the need of having a business model supporting budget process for distribution costs; this means comparing - in an easy and flexible way - actual vs. budget and performing simulations such as what-if and what-for scenario analysis.

All this can be done based on the standard costs more than applying complex models concerning fees and prices for each logistical supplier.

In the meantime, this simulation-based environment enables Kraft management to carry out the revised budget and monthly forecast process, enforcing the attitude of the management to act by process - being oriented anyway to the most important asset of each company: the client.