

# Buffer Management – the practical things you can do

FOR BETTER

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# We are Tata Consumer Products



Largest salt brand in India



Largest tea brand in India by volume



3<sup>rd</sup> largest tea brand in UK & largest tea brand in Canada



4<sup>th</sup> largest R&G coffee brand in USA



Leading National brand in pulses in India



#1 natural mineral water brand in India

## In a nutshell



Integrated F&B company with rich heritage of Tata, aspiring for a larger share of the FMCG World



#2 branded tea player globally



₹ 9.6K crore consolidated revenue in FY20 and current market cap of ~₹33k Cr.



330+ million servings of our brands consumed every day



Among the top 10 F&B companies in India



2,250+ employees worldwide

# What are we all trying to do?

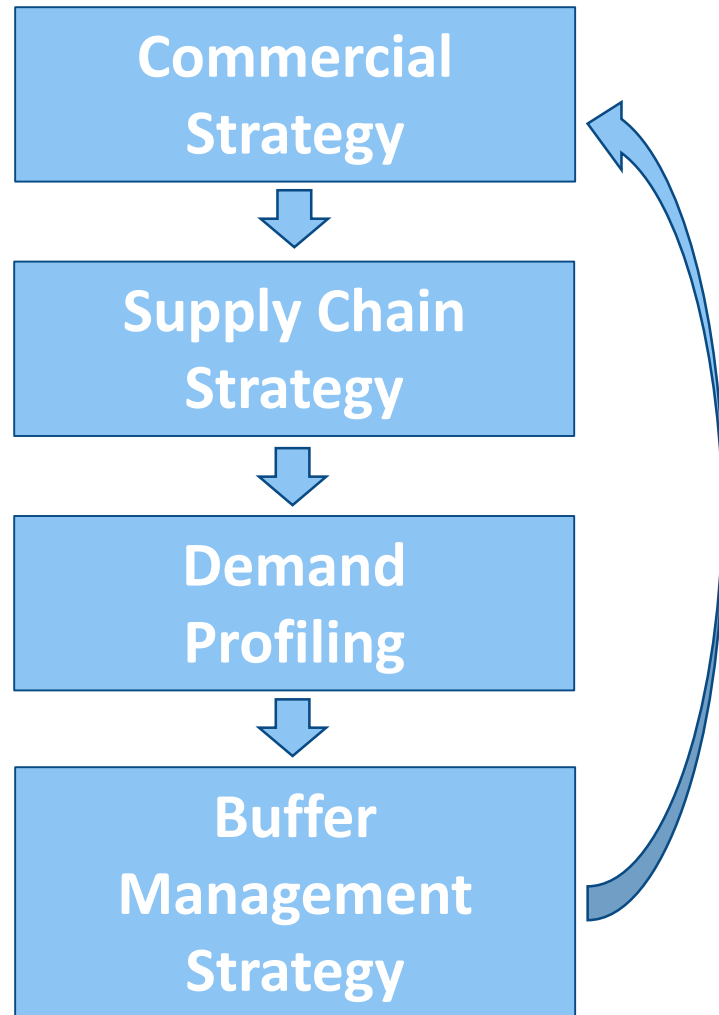
Deliver products to our customers:

- on time and in full
- at the lowest possible cost
- in a sustainable and responsible way

Covid-19 has challenged how supply chains are run...



# What do you need to do?

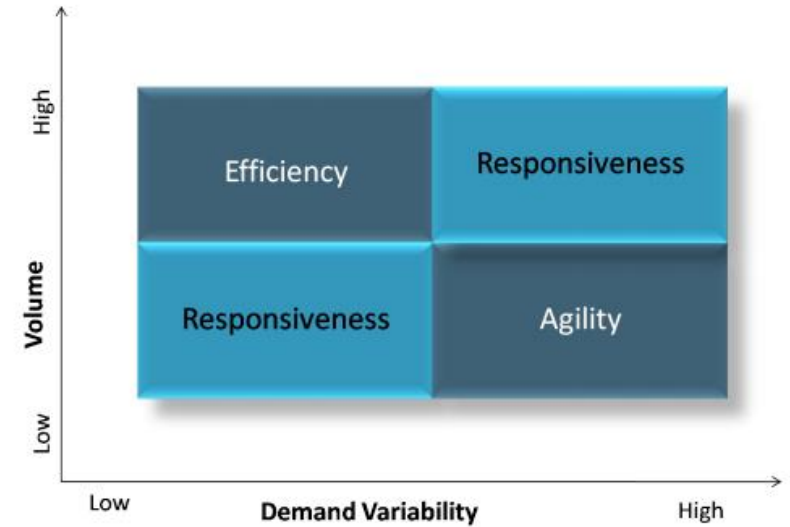


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1. What is your Commercial Strategy?
  - High-low promotion drives increased volatility and uncertainty
  - EDLP drives stability
  - How long will that strategy remain in place?
2. What do you make and where?
  - Make-Buy
  - In-country vs near-shore vs off-shore
  - Risk management
3. Segment your supply chain
4. Supply Chain Optimisation

# Demand Profiling

1. Assess the demand characteristics of your product to enable standard segmentation approach

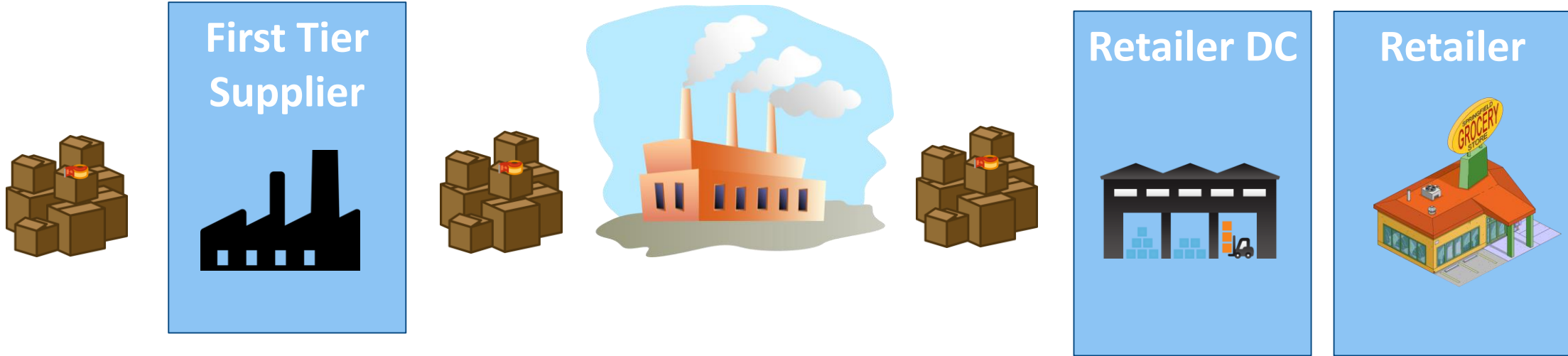


2. How unpredictable is the demand?





# Buffer Management



Two types of buffer:

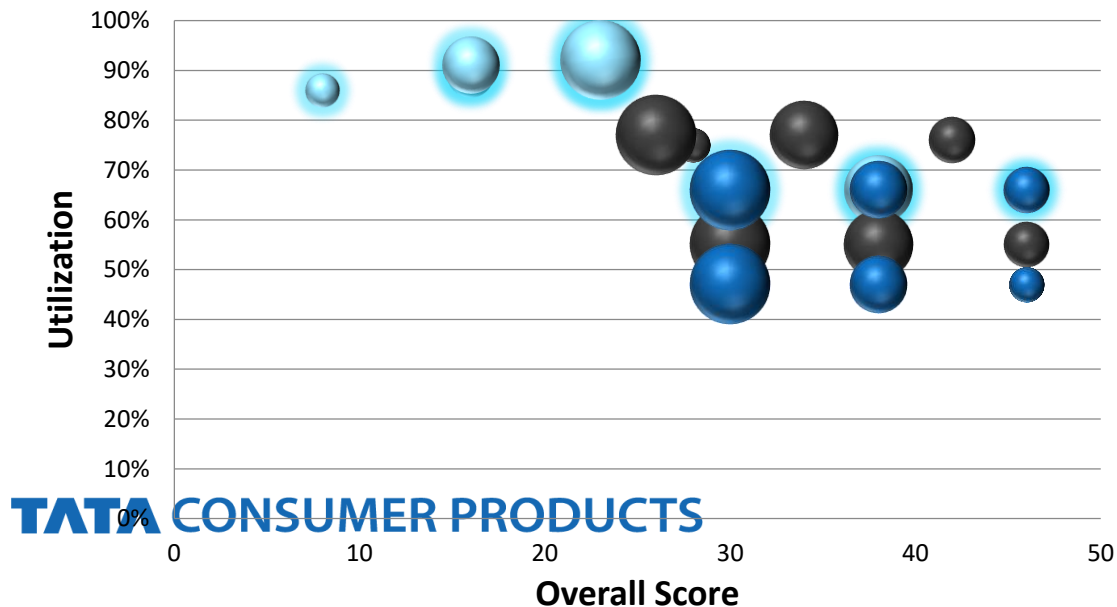
1. Inventory – pressure to reduce working capital – short term
2. Capacity – CFOs want to run at very high levels of asset utilisation to maximise Return on Investment – infrequent and long term decisions

Optimise the supply chain for **both** Inventory and Capacity

# Supply Chain Optimisation

Optimise against historic demand variability for:

- Different service levels (revenue)
- Inventory cover (working capital and opex costs)
- Different capacity (capital investment)
- Different shift patterns (operating costs incl Overtime)



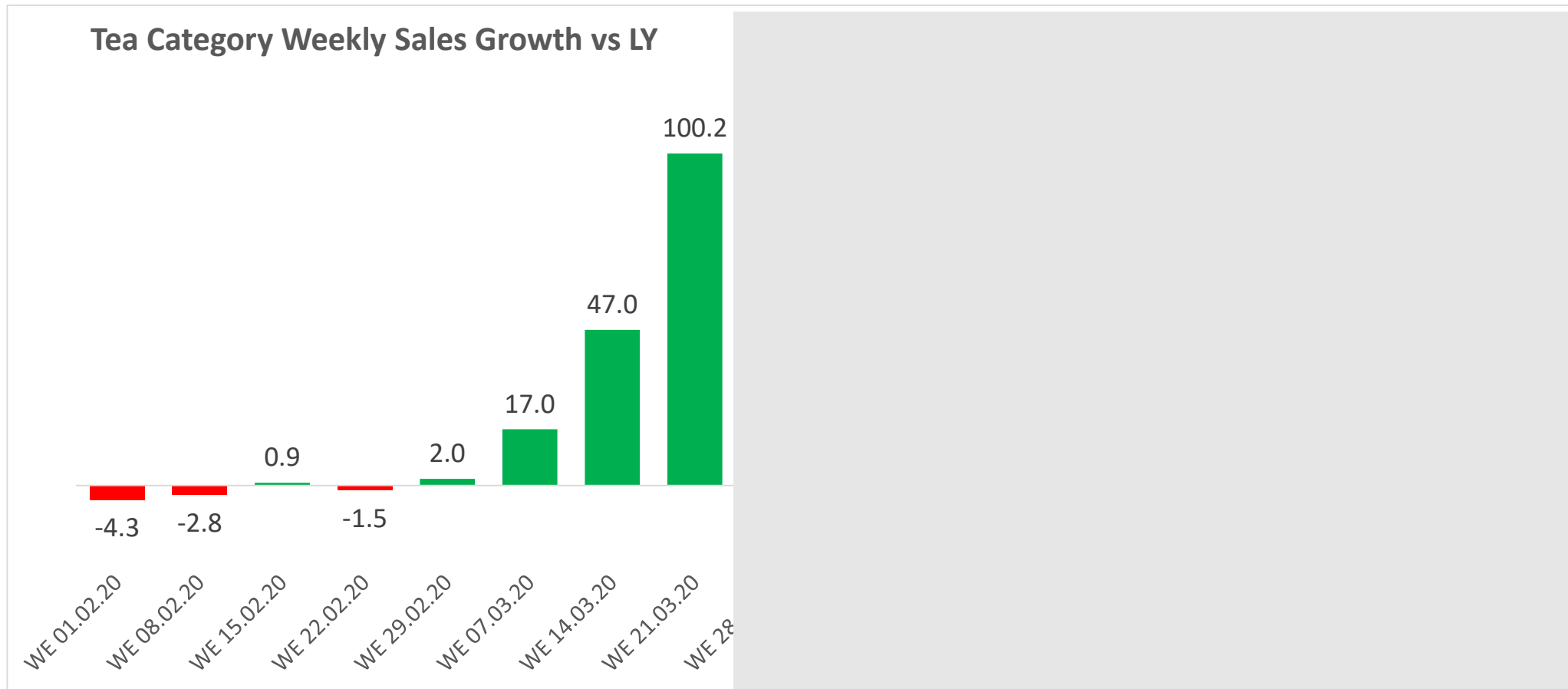
Output was to operate in 60-70% utilisation range in line with demand uncertainty

**But what is the evidence?**

**Let's look at the Coronavirus impact on directly competing supply chains...**

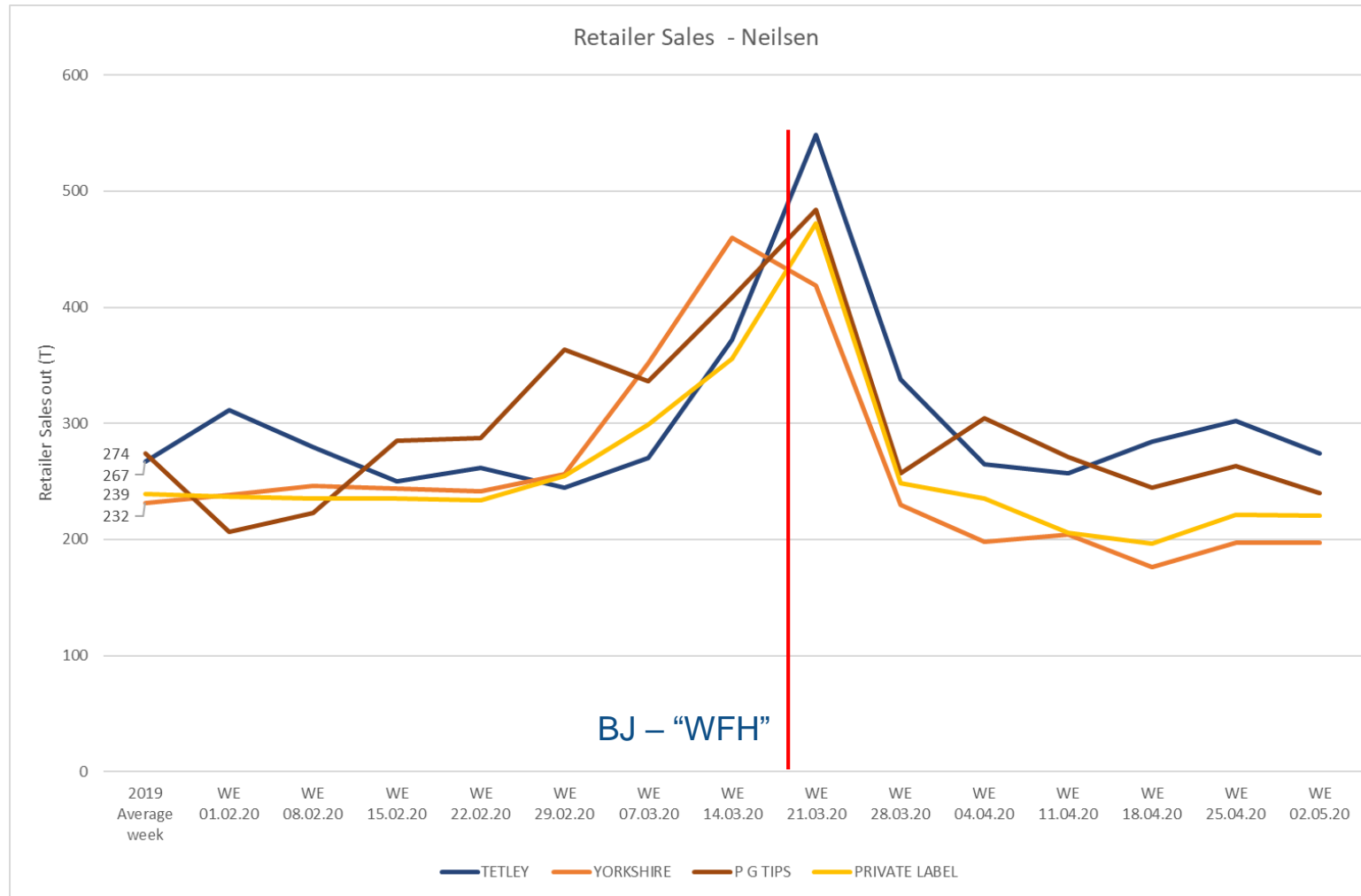


# Panic buying caused a huge spike in demand



# Sales by Brand to consumers

## Pre and post panic buying & supplier impact



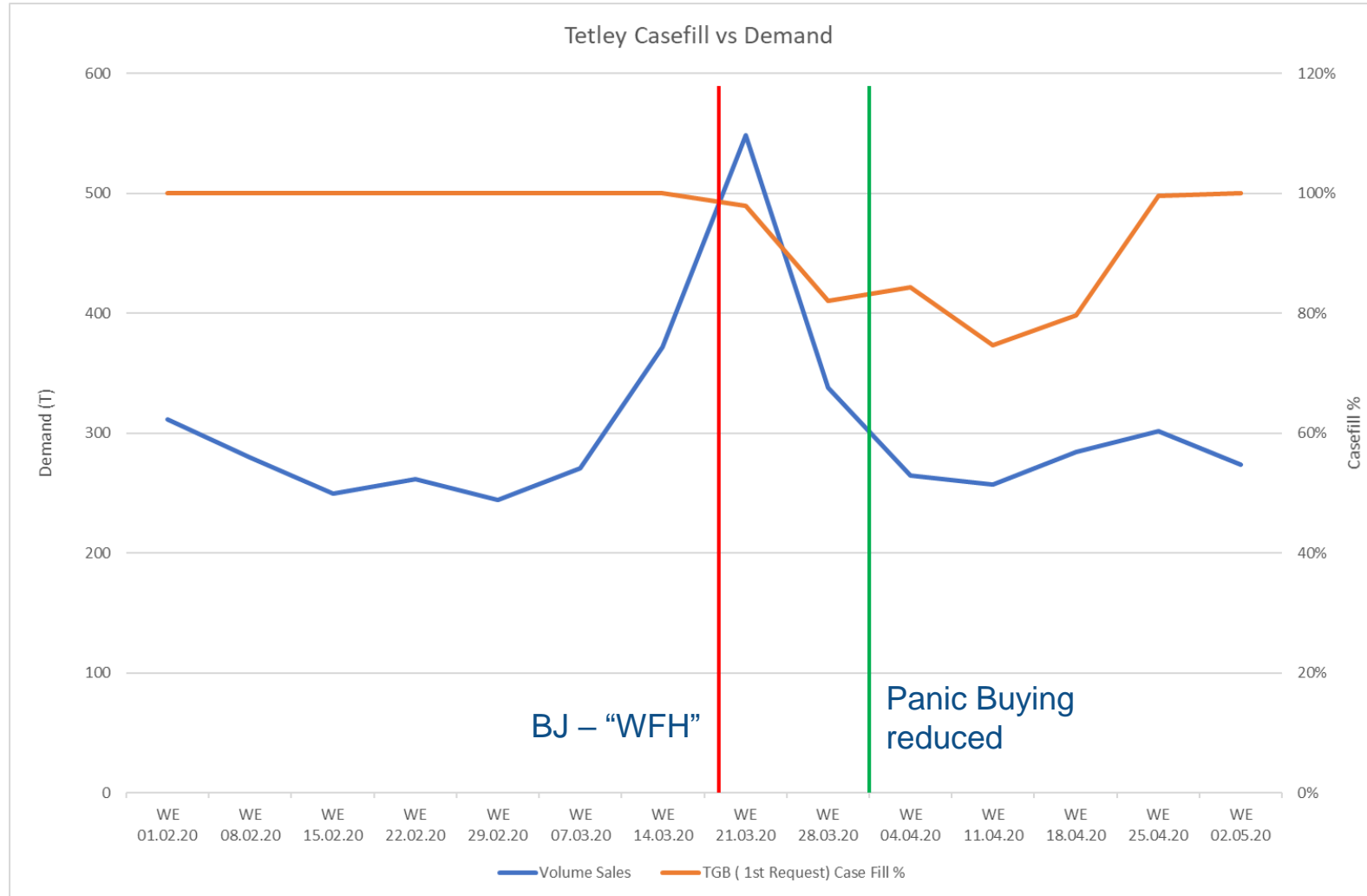
Fighting over small % share points pre-Covid

- Led by Brand & promotional strategy

Clear water between brands post Lockdown

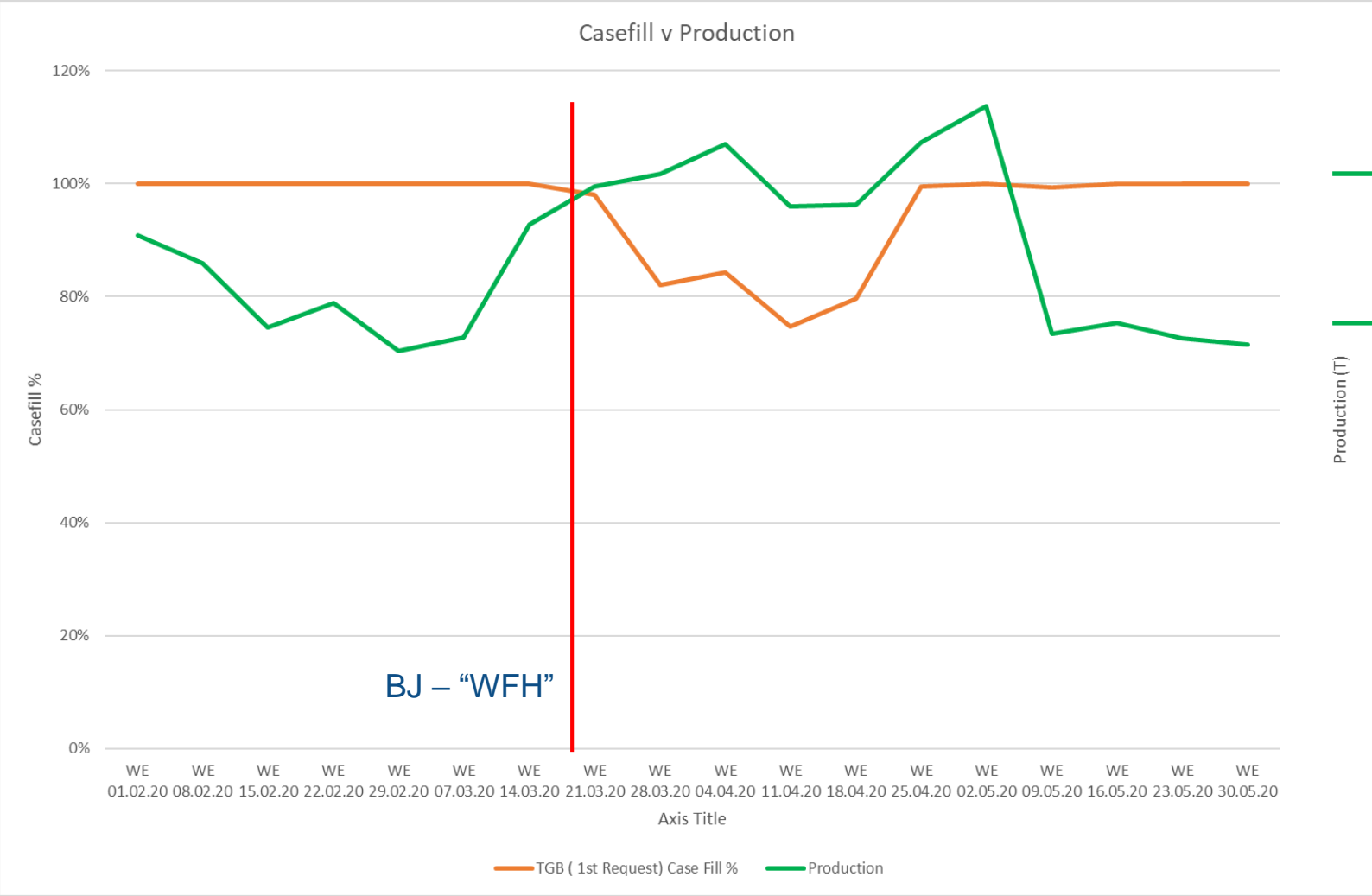
- Impact of supply chain

# How did the Supply chain react?



~4 weeks for the supply chain to return to 99%+ casefill after panic buying stopped

# How did the Supply chain react?



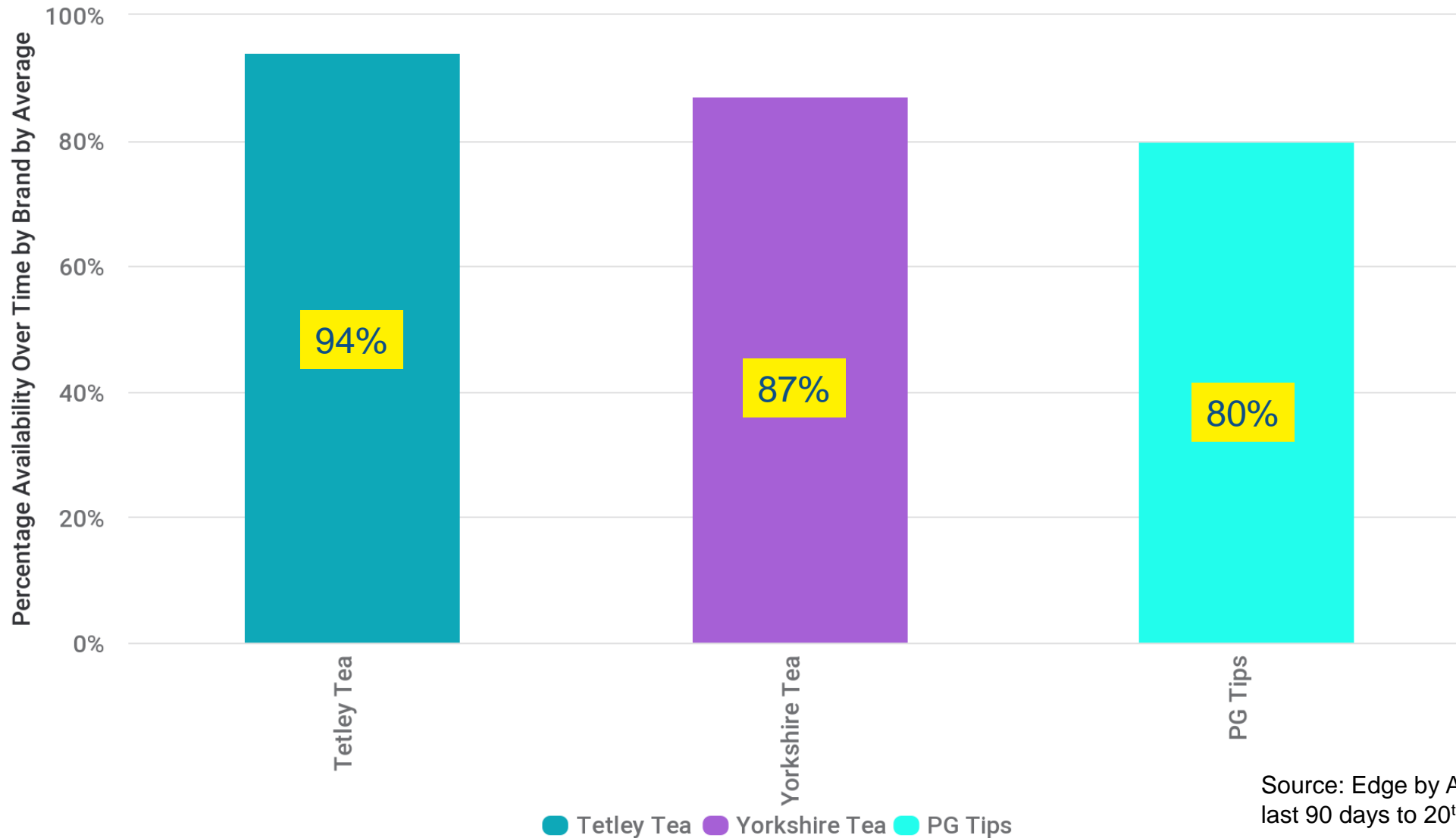
~+35% surge capacity

Production ramped up with ~24/7 & weekend working

Returned to normal production levels after 1 week of 99%+ casefill

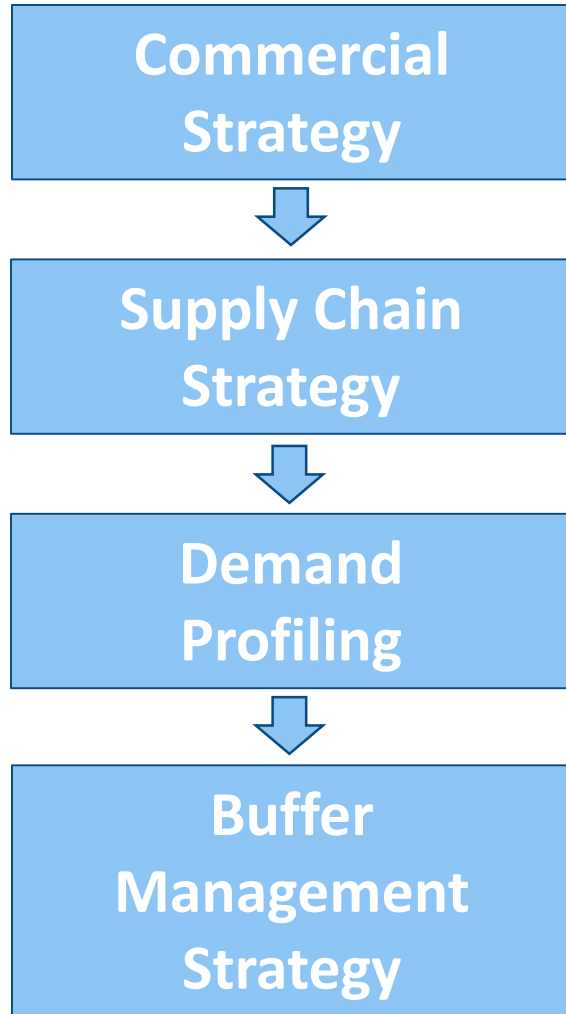
# Product On-line Availability by tea brand

Tesco, Sainsburys, Asda, Morrisons, Ocado



Source: Edge by Ascential (online tracking)  
last 90 days to 20<sup>th</sup> May 2020

# Structural Resilience and Agility through Buffer Management

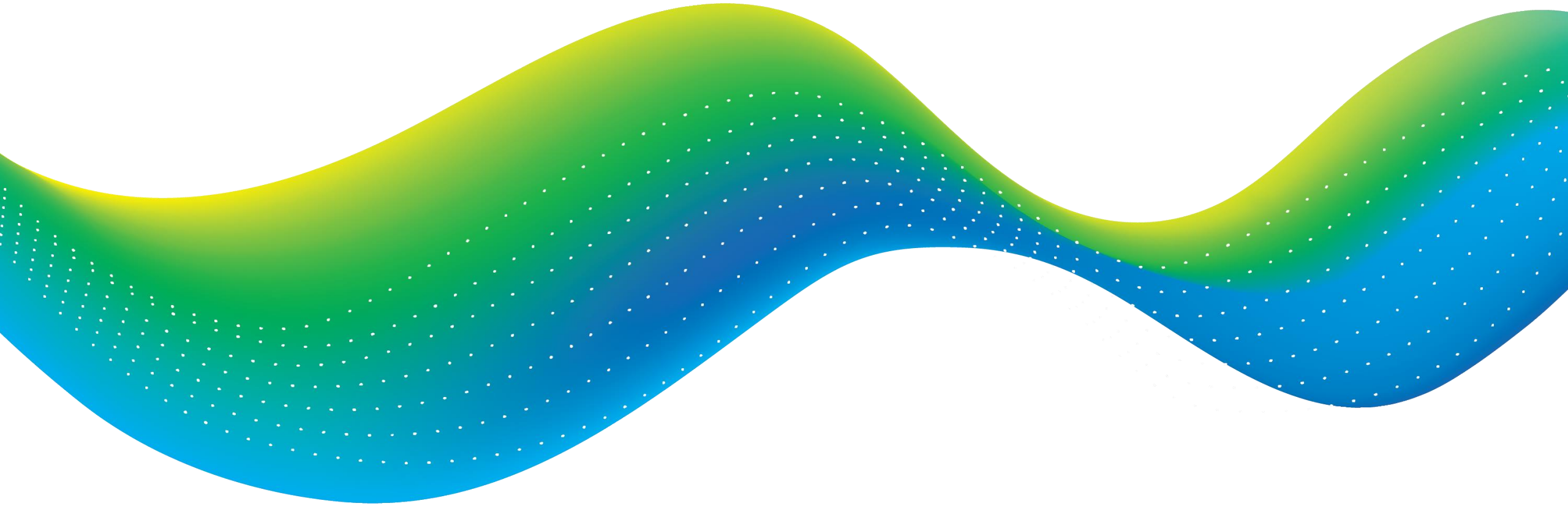


- Raw/packaging/FG stocks
  - Starting levels are clearly important but temporary!
  - Convert into FG as late as you can
- Asset utilisation
  - Instantaneous surge capacity enables the supply chain to react to changes in demand
  - Use your assets for competitive advantage

Invest in enough spare fixed asset capacity to ensure that your supply chain can cater for the demand uncertainty caused by your customers and your Commercial strategy

# Thank you

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