



Supply Chain Management / Internet

## More For Less: Reaching Beyond the Enterprise with Forum™

Businesses in India have an enormous opportunity to significantly improve availability of their products at the right place and time, thus improving customer service and revenues. This can be achieved jointly with significant reduction in inventory levels and improvement in supply chain operating efficiencies.

Forum™, from Sify can help organisations achieve these objectives in a cost effective manner. It can be deployed by organisations of various sizes: small to large. It runs on commonly available PC configurations and uses dial-up internet connectivity for periodic data interchange. It is a very powerful solution, is designed for Indian business and can be deployed for a fraction of the investment required for traditional solutions.

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They say the age of consumers has arrived. Consumer rules supreme and she determines not only the shape of product and service offerings, but also how organisations operate and behave. The Economist recently featured on its cover how the internet has finally meant consumer is king and queen.

However, take a reality check in India, and one will find that the going is not quite as good. Based on extensive analysis and interactions with industry participants in FMCG for example, Sify estimates that on about 30% occasions (and often, more), customers are disappointed to find that the specific product pack they are looking for on shop shelves are not available when they want

them. Not only are customers the losers here, by some estimates, companies in just the FMCG segment alone lose revenue opportunities of several thousand crores of Rupees annually on account of Out-Of-Stock.

What makes this estimate even more worrisome is the fact that inventory across all levels in the supply chain, be it at the company warehouse or C&FA, or at distributor or retailer points is inordinately high. Total pipeline stocks of upto 12-16 weeks of sales in the downstream supply chain are not uncommon.

Sify's analysis shows that while the two statistics might seem to be conflicting, in fact high inventory levels and high incidence of Out-Of-Stock often go hand in hand due to supply chain deficiencies. Impact on organisations is large and direct. There is enormous opportunity loss in revenues, organisations lose hard-earned loyalty of customers, supply chain operations are error-prone, slow and inefficient and therefore costs are high. Overall, it is bad for business.

Contrast this with successful examples in supply chain innovation like Dell's that eliminates pipeline inventory and enables the company to reach the customer directly. Dell empowers customers to build their own custom PCs on the web following which the components are sourced, put together and shipped in matter of hours. The imperative for Indian industry is clear.



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### **How Should Businesses Tackle the Problem?**

There are clear pointers to the answer. It is based on principles of good supply chain management and strong evidence from industry leads worldwide. Companies need to:

- Reach beyond the enterprise. Seek visibility into operations closer to the customer.
- Integrate operations and information from the distribution chain with the enterprise.
- Enable managers to act on up-to-date information from the extended enterprise. Equip them to serve customers better and proactively so; do more at a lower cost; and earn more in revenues by ensuring that stocks are available when customers need them, and by providing timely marketing inputs at the right place.

These business objectives are made achievable by the implementation of suitable information technology (IT) systems.

### **Which Systems Have Organisations Commonly Implemented in the Past?**

For achieving these objectives, EDI had been commonly adopted with success in developed markets in about the last two decades. However, India's experiment with EDI has not been very successful due to various reasons linked to high set-up and operations costs, insufficient access to cheap and ready infrastructure etc.

And, there was an important limitation in EDI systems that limited its easy adoption by large number of businesses in India. They were not designed for use by businesses in plug-and-play mode. These systems could not be implemented by small organisations by just purchasing a PC with a standard out-of-the-box application and hooking up with any number of trading partners at a moment's notice. They required investment in expensive networks and software applications with significant effort and coordination required between every participating trading partner.

Therefore by design, EDI systems were not suitable for adoption by large number of small businesses meaning to integrate their operations with their principals or other trading partners.

### **What Kind of Solution is Needed in India to Address the Problem?**

- A solution that can be deployed across hundreds and thousands of members in the distribution chain. It should be possible to deploy the solution on commonly available PC configurations with minimal infrastructure requirements.
- One that would be intuitive and easy to use for members of the distribution network
- One that enables seamless synchronisation of various master data of manufacturers including product details and sales promotions details. This would be mandatory in order to ensure that data interchange is meaningful and every trading partner uses the same language for interacting with others
- One that addresses business processes prevalent in (and good for) the distribution chain in India
- One that has onsite troubleshooting help readily available at hundreds of towns across geographies
- One that uses internet technologies and a standards-based approach for enabling cost-effective data interchange in the distribution chain. Using dial-up internet and common PC-based systems makes solutions highly cost-effective as against using proprietary value-added networks and terminals
- A solution that also enables easy integration with enterprise applications like ERP deployed within the manufacturing organisation
- A solution that is easily affordable and shows significantly higher promise of business gain to users as compared to cost incurred in implementing it

## What Were the Common Options Available to Customers?

1. **Category 1:** On one end of the spectrum are **sophisticated ERP applications** like SAP with add-on supply chain suites and possible web-enabled enterprise portals. While these solutions are extremely powerful and serve very important organisational needs, there are various reasons why they should not be used in the downstream supply chain in the context of this discussion.

- High licensing cost of the software applications
- High cost of infrastructure required for running such a system across large numbers of points of presence
- These systems are complex and would not be easily understood by distribution channel members
- These are relatively unwieldy systems that are not easily configured to suit each end-user's preferences especially in the widely diverse markets in India
- They address closed user groups, good for addressing supply chain participants who are exclusive members of the distribution chain. (Most channel members actually deal with multiple categories, manufacturers and customers)
- These solutions are typically not backed by widespread support infrastructure available nationwide to train and assist small businesses (1-5 computer establishments) in application usage

2. **Category 2:** On the other end of the range are **Standalone distribution management** software from small vendors who are here today, not there tomorrow. While supply chain integration has been attempted using these solutions by using simple flat file export options combined

with email / ftp, this approach does not address several very important and basic requirements:

- Standalone software do not provide the means to synchronise master data across trading partners
- Standalone software do not provide the facility to interchange data seamlessly with trading partners (either with principals / vendors or with customers / retailers)
- Such solutions are not designed to enable seamless integration with enterprise applications like ERP and web portals
- These software are often not designed in line with industry best practices. They are typically solutions that have grown from being a custom solution developed for a single small customer's specific requirements.
- These solutions are often provided by small vendors who do not have long-term stability that is vital for providing ongoing solution support and software upgrades
- Vendors of such application rarely have wide geographical reach. Large-scale deployments require strong project management skills with national presence. Businesses need to be supported consistently and reliably across wide geographies

In fact in the past in India, due to the absence of a good feasible alternative, organisations, small and large have had to make do with basic record-keeping on standard accounting software that have gained popularity over time. The basic objectives of monitoring distribution efficiency and of enabling enterprise-wide visibility of supply chain metrics are not served by such solutions.



### Forum™ from Sify

Forum™ has been designed to address the specific business problems faced by organisations in India. Sify's expertise in the internet and e-commerce domain have been leveraged to develop a comprehensive offering. This, jointly with deep insights from various industry specialists have led to a powerful solution enabling creation of transparent and responsive supply chains.

It is highly scalable and can be deployed across hundreds of thousands of users. It is available in different versions suitable for different kinds of businesses including wholesale distribution, C&F and retailing operations in various industry verticals.

Forum™ uses XML data standards for information exchange and enables seamless connectivity with supply chain partners. Simple dial-up internet connectivity is all that is required for data interchange. Forum™ can be easily integrated into back-end ERP applications of organisations through standard application interfaces.

It is a powerful, easy to use and cost-effective tool for managing a variety of businesses ranging from very small to large nationwide distribution and retailing operations.

Forum™ has a nationwide network of more than 150 sales and service partners catering to customers in more than 300 towns in India. A partner network is also being developed in South Asian countries.

### Business Value of Forum™

Forum™ enables organizations, both large and small to:

- Significantly reduce out-of-stock incidence through improved stock and sales visibility and better ability to proactively manage stock placement.
- Reduce inventory and costs while significantly improving various efficiencies in distribution management. It has a comprehensive sales and

distribution management software to help implement standard inventory management and distribution processes in the distribution network, and to make businesses more profitable.

- Automatically collate stock and sales information from branch offices, distributors and retail outlets by means of a simple, user-friendly, seamless and online process.
- Significantly improve process efficiency by enabling two-way communication between organizations and their distributors / depots. For example, invoices can be delivered online to distributors, or Stock Transfer Notes could be delivered to depots online. Not only would shipment details be delivered on time, the need to re-enter data on stock receipts is eliminated.
- Make supply chain partners more profitable by helping implement continuous replenishment mechanism. These would help reduce inventories of supply chain partners, cut their operations costs and make them more efficient.
- Build a bridge for seamless connectivity between existing applications of trading partners. This is made possible by the ability to integrate Forum™ with legacy applications. The deployment of Forum™ results in integrated supply chains while ensuring minimum disruption to pre-existing IT infrastructure.



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### Which Business Verticals Will Benefit From Forum™?

The basic business problem of high inventory levels and / or frequent incidence of out-of-stock at distribution or retail points is common across industry verticals. From FMCG, to pharmaceuticals to consumer durables, garments, mobile phones, engineering goods, any industry segment that deals with complex supply chains and large number of SKUs faces the same fundamental supply chain constraints and problems.

While the FMCG segment has taken the lead in adopting Forum™, Sify's engagements with various other industry segments highlighted above show similar commitment and enthusiasm.

Forum™ is available in different versions tuned for different industry needs. It can be deployed by all kinds of trading establishments including distributors, wholesalers and retailers. Each of the relevant verticals have tens of thousands of supply chain members and therefore potential beneficiaries of Forum™.

### Who is Using Forum™?

Forum™ is being used by organizations of various sizes, large to very small.

Some of Sify's engagements with large organizations for managing supply chains on Forum™ are GlaxoSmithKline Consumer Healthcare for their operations in India, Pidilite Industries Ltd, Perfetti Van Melle India Ltd, Gillette India Ltd, TCNS Clothing etc.

Among over a thousand small and medium trading establishments that are using Forum™, some exemplary deployments can be seen at Palepu & Co, Chennai (See Case Study), Inside Trading Co., New Delhi, Sri Lakshmi Agro Foods, Chennai.

Forum™ fulfils important needs for organizations of all sizes: Large enterprises are using Forum™ at their distribution points for integrating their supply chain; Distributors are using Forum to improve their business and efficiency, to integrate operations of their branches and to interact with their principals; Retailers are using Forum™ as a complete business solution supporting bar-code enabled Points-Of-Sale (POS), automated re-ordering logic and a whole range of other modern practices. All that is required to draw these benefits is to quickly deploy Forum™ on a PC and connect for a short time over a dial-up internet connection at day's end for exchanging critical information with trading partners. The pricing of Forum is flexible to suit the needs of even small businesses based on the configuration of the solution.



### What Does the Future Hold?

So, have we then found the elusive elixir that will solve all supply chain concerns and it is time to crown the consumer? Sify's experience says, not quite. Based on its wide experience dealing with hundreds of organisations deploying complex solutions in e-commerce and networking domains, Sify feels that in most important projects, IT plays a key role as a business driver and as an enabler, often even shaping new strategies. However, at the end of the day, IT solutions do not produce business results on their own. The business direction, intent and execution have to be faultless and clear.

In the context of this topic for example, for success, large organisations might have to commit themselves company-wide to be driven by demand-pull. And, abandon the traditional push-dump-fire-fight approach. Once this philosophy is clear, organisations might have to build-in checks and safeguards to effectively deal with potential deviations (that natural temptation to justify seemingly small and convenient allowances). Further, for smooth system deployment, companies have to be ready to commit resources for driving supply chain partners' acceptance of the new IT system combined with a new way of working. Driving change is never easy even within firms, but changing mindsets and processes of external partners is all the more challenging.

Sify's experience with even small one-desktop organisations suggests that getting personnel trained in new best practices is not easy. Or, even training them in data entry on new software applications (however intuitive they may be) is a challenge. Why, even training a proprietor to look afresh at what's going on in their business with the help of IT aids requires sustained education.

Sify has taken an important step in this regard by setting up a nationwide network of training partners to educate businessmen and students in supply chain best practices and also in Sify's software application Forum™. However, this is but one initiative and more is required industry-wide. The potential to realise more from our supply chains overall, and also from the small & medium businesses that comprise of our supply chains is immense. Forum™ is helping unlock that potential by offering the power of traditionally expensive systems at a fraction of the cost. Thus offering more, for less.

In summary, while the future beckons and is bright, there is a lot of good thinking and hard work that will yet go in, before we can raise the toast to the new king and queen. But perhaps, it is time to shine the glass and keep the bubbly ready.