



Genpact powers a global chemical company with smarter inventory management process, resulting in optimized working capital and a 27 percent reduction in on-hand inventory carrying costs

About the Client

A global chemical company that provides water treatment and process systems solutions

Industry

Chemicals

Business Need Addressed

To develop a smarter inventory monitoring and control mechanism that enables cash flow improvement and reduction in inventory carrying costs

Result

- Reduced on-hand inventory carrying cost by 27 percent
- Increased inventory turns from 8 to 9
- Improved inventory visibility through standardized monitoring and control processes

Customer Testimonial

"Genpact's team is terrific, so much so that we are looking to expand the relationship to other segments of our business. Great domain expertise and they do a wonderful job of being part of our business team."

- Executive, Client Business Operations

A global chemical company was not able to effectively manage its on-hand inventory, impacting cash flow and bottom line. Genpact worked with the client to study their current order to delivery process, applied Six Sigma and Lean methodologies to identify improvement areas and implemented smarter processes and analytics. **Result:** 27% reduction in on-hand inventory carrying costs, increased inventory visibility and standardized global processes.

Business Challenge

The client provides its consumers with solutions that help them save water and energy, to reduce operating cost. One of the critical components for achieving this goal is an effective inventory management process.

The client's equipment business could not effectively manage its on-hand inventory and experienced a 20 percent increase in its inventory levels in less than four months. This impacted cash flow as well as the bottom line, leading to sub-optimal performance. This was a result of several factors, including:

- A lack of inventory monitoring and control measures for on-hand inventory management
- Data accuracy issues in ERP systems with respect to key inventory parameters such as lead times and standard costs
- Higher buffer stocks due to judgment based calculations and lack of proper forecasting tool
- Excess ordering and incorrect order timing
- Non-standardized operations leading to different inventory turns at different plant locations

The Genpact Approach

Genpact's team of chemical industry experts, supply chain and inventory specialists identified the key improvement areas through:

- In-depth and granular mapping of the client's order-to-delivery process
- Six Sigma and Lean methodologies to identify and categorize the root causes that impact ordering and inventory policies
- Establishing accurate data requirements along with operational definitions
- Defining roles and responsibilities for stakeholders at different levels in the client organization
- Collaborating with the client's functional and information management teams to develop standardized data structures and reports on ERP systems

The Genpact Solution

Genpact implemented smarter processes and smarter analytics in two phases:

Set up ordering and stocking policies

- Categorized parts into stock and non-stock to initiate demand-driven stock and order planning
- Developed a multi-criteria inventory classification model for stock parts to prioritize efforts on monitoring and controlling high-impact parts
- Set up stocking and ordering policies in the ERP systems; safety stocks, order quantities, planned on-hand inventory at part level for desired service levels

Established a sustainable process for continuous monitoring, control, and improvement

- **Inventory management** – Developed a smarter inventory monitoring and control decision support system that assisted planners in micromanaging the set of parts assigned to them. With the flexibility to do sensitivity analysis, planners were able to balance service levels and on-hand inventory at the part level
- **Dashboards** – Standardized reports for monitoring and controlling on-hand inventory at plant, planner, and part levels. This was done to track excess inventory, inventory aging, part lead time variance and monitoring performance
- **Reviews** – Established weekly reviews with supply chain planners, buyers and plant managers to identify excess inventory
- **Knowledge management** – Developed a “Planners Playbook” detailing the approach and standard operating procedures, a ready reckoner for the supply chain team to exercise inventory control measures
- **Training** – Trained supply chain planners and materials teams on stock and order planning

Business Impact Delivered

The end-to-end approach taken by Genpact resulted in significant process improvements across the client’s equipment business.

Financial Impact	<ul style="list-style-type: none">• 27 percent reduction in on-hand inventory and inventory carrying costs• Increased cash flow due to improvement in inventory turns from 8 to 9
Operational Performance	<ul style="list-style-type: none">• Standardized processes across other global equipment plants, leading to increased ROI from technology/ERP investment• Enabled better collaboration with client’s supply chain partners• Increased visibility into obsolete, non-moving and slow-moving inventory

The Road Ahead

The increased financial and operational performance has helped Genpact to expand its relationship with the client to other supply chain functions including logistics network analysis, billing quality and Net Promoter Score (NPS) analytics.

About Genpact

Genpact is a global leader in business process and technology management services, leveraging the power of smarter processes, analytics and technology to help its clients drive intelligence across the enterprise. Genpact provides a portfolio of process-driven services strengthened by its industry vertical domain expertise, analytical insights, and intelligent technology solutions for better business outcomes.

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