



GENERATING CONSUMER GOODS IMPACT

Consumer goods major boosts growth and reduces costs using Lean DigitalSM



Client

US-based multinational confectionery, food, and beverage conglomerate

Industry

Consumer packaged goods (CPG)

Business need addressed

- Revenue leakage stemming from low visibility into order fulfilment operations due to largely manual and adhoc processes
- Overpayments as well as compliance issues due to siloed trade promotion operations
- High cycle times and volume of errors introduced by manual activities in managing accounts receivable

Genpact solution

- A Lean DigitalSM approach combining digital technologies, design thinking, and Lean management principles helped address the initial challenges, and subsequently drive real, value-generating transformation faster
- Targeted technology interventions to support process transformation across order management, accounts receivable, and trade promotions to drive enhanced process visibility, compliance, and cost efficiency

Business impact

- \$185 million in projected business impact in six years through cost savings, efficiency enhancement, and risk avoidance
- Revenue growth by enhancing the revenues of key retailers by over 1% within one year, and improving speed-to-market for exports
- Enhanced accuracy and compliance in trade promotions, enabling the first ever 'green' audit for the process

In today's customer-centric economy, there are enormous challenges when trying to delight stakeholders at scale and cost effectively. A large consumer packaged goods manufacturer whose food products are sold across the globe through a huge network of retailers and distributors addressed these challenges using a practical Lean DigitalSM approach to reimagine its middle- and back-office functions across order management, trade promotions, and finance and accounting to boost efficiency, ensure compliance, strengthen relationships with customers, and support growth.

Business challenge

Like other companies in the CPG industry, this food products giant faced growing demands for improved customer service at a time when margins were shrinking. The situation was complicated by growing compliance pressures in the wake of repeated "red light" audits that flagged serious discrepancies in operating processes. The company had been using multiple manual processes to service a large and complex customer base, leading to a lack of end-to-end visibility into both its order to cash (O2C) and trade promotion operations (TPO) processes.

Genpact solution

A practical Lean DigitalSM approach helped the company address these challenges by harnessing digital technologies and analytics through advanced organizational models like global shared services to generate enterprise-wide impact. Lean DigitalSM combines Lean principles with a discovery process that involves design thinking to simplify digital interventions and apply them in an agile way to reimagine processes that deliver maximum impact. The result is **Intelligent OperationsSM** a rapidly attainable, yet scalable and cost-effective, business platform built

Lean DigitalSM combines Lean principles with a discovery process that involves design thinking to simplify digital interventions and apply them in an agile way to reimagine processes

to adapt while generating growth, cost efficiency, and business agility.

The company began the journey by consolidating transactional processes into global shared services. This meant focusing on its accounts payable process to reduce processing errors, improve vendor relations, and provide better service to business. The company adopted standardized policies and processes to limit exceptions and, by enabling effective digitization, ensured greater compliance. Paper-based invoices were phased out in favor of electronic invoices. An accounts payable customer portal was set up to facilitate the transition to new processes and support the effective resolution of queries from vendors and business.

Subsequently, many other key processes and systems, including planning, supply chain, order management, and trade promotions, were assessed using a four-dimensional framework covering **customer experience, sales experience, complexity, and risk** (CSCR). The framework helped clearly define target business outcomes beyond increasing efficiency.

Over 15 weeks, Genpact's domain and subject matter experts mapped and benchmarked existing shared service center (SSC) operations, helped define "what good looks like", and then designed a digitally enabled target operating model. They recommended three alternative organizational models for implementing the transformation, which ranged from the client running the transformation itself to partnering with Genpact to run the SSC.

The company elected to partner with Genpact to run its SSC, a process that involved rebadging 400 employees. In the new operating model, front- and back-office processes were re-organized based on relative complexity and risk. Complex and relationship-based order management functions were positioned in the US, while some of the transactional bill-to-cash and trade promotion processes were transitioned to a global center of excellence (CoE) in India.

Genpact's CSCR framework provided objective performance measures from the perspectives of both customers and internal stakeholders—particularly the sales organization

All aspects of end-to-end bill-to-cash process, including deductions, cash applications,

collections, and reporting, were examined early on to identify legacy issues that prevented operations from achieving desired business outcomes. Lean principles were applied to prioritize more than 100 potential improvements based on change management and external resource requirements, to ensure minimum disruption to business-as-usual operations while maintaining efficiency.

Five key areas were prioritized for immediate action. Key processes were then reimaged and technology and analytics applied to areas with the greatest impact on the target business outcomes.

1 Improving collaboration and visibility across the value chain

Root cause analysis was conducted to enable the company identify the key factors behind low visibility and collaboration across the value chain.

Function	Challenge	Digital intervention	Impact
Order management	Cumbersome manual order entry process for exports causing errors and lack of standardized data	Order entry automation	99% auto order entry with improved accuracy
	Challenge of end-to-end order visibility in a cross-functional order to cash process	Real time demand and supply visibility platform with instant alerts and advanced visualization	Improved visibility and enhanced customer experience and productivity
	Manual end-to-end order management and invoicing process caused significant time delays and wasted effort	Automated order management and invoice creation/debit note processes	Efficiency gain of up to 60%, improved process lead times, and reduced error rates
Trade promotions	Non-standard manual contract and new item form creation process	Automated sales admin manager (SAM) solution for contracting and new item form creation	Enhanced compliance, improved cycle time and accuracy due to automation
	Manual payment processing that was ad hoc and prone to overpayments and erroneous payments	Trade promotion payment (TPP) tool for automated 2- and 3-way match of invoices, contracts and proof of performance	Improved compliance and visibility, fund leakage prevention estimated at ~\$5 million per year
	Invalid deductions and transactional back and forth between manufacturers and retailers	Predictive modeling and automation to code for invalid deductions	Better view of invalid deductions, and quicker recovery, adding to bottom line
Accounts receivable	Manual process of applying cash leading to longer processing time and human errors	Auto-cash allocation and application that utilizes existing ERP in the organization for seamless functioning	Improved cycle time and accuracy, with 99% of daily receipts applied within 24 hours
Accounts payable	Low process visibility, fragmented supplier processes causing delayed payments, high number of supplier inquiries, and low vendor satisfaction	Genpact's Enterprise Supplier Management (ESM) Systems of Engagement™ solution for accounts payable automation and advanced workflows	Enhanced visibility, reduced cycle times and simplified approval and resolution processes

CSCR framework provided objective performance measures from the perspectives of both customers and internal stakeholders—particularly the sales organization. A control tower—an analytics hub connecting end-to-end processes across functions—continuously monitors every aspect of customer relationships. Accurate master data enables live performance scorecards for transactions with the company’s top-100 customers. The insights generated allow for timely root cause analysis as well as alerts on changing customer behaviour and market conditions. Systematic application of Data-to-ActionSM ensures that the company is able to respond to changing conditions through targeted interventions and correction to its strategy. A state-of-the-art governance structure regularly reviews outcomes and re-evaluate metrics, and a quarterly impact analysis focusses on process and policy changes and enhancements.

2 Enhancing compliance in the SSC and sales function

The SSC and the sales function had failed multiple compliance audits, with several instances of duplicate trade promotion payments. The solution was a complete review of the trade promotion process, including the application of Lean Six Sigma and data analysis to identify root causes.

Focused use of technology and analytics helped scrutinize all payments, irrespective of the dollar value, and implement a standardized system of controls.

3 Reducing overpayments in trade promotions

The company, typical to the industry, offered compensation to customers for running promotional events, but lacked an automated process that checked for the linkage between customer invoices, contracts and proof of performance data. After the event, the customer either receives a payment or it deducts the amount from accounts payable.

Automated 2- and 3-way match of invoices, contracts and proof of performance data enables trade payments team to ensure compliance, prevent revenue leakage and provide accurate insights to boost trade promotion effectiveness, at scale

Invalid or erroneous transactions amounted to nearly 8% of overall payments. Process improvements and targeted technology interventions such as the TPP tool were implemented that reduced this amount to about 5%, and subsequently was able to recover a significant portion of the overpayments.

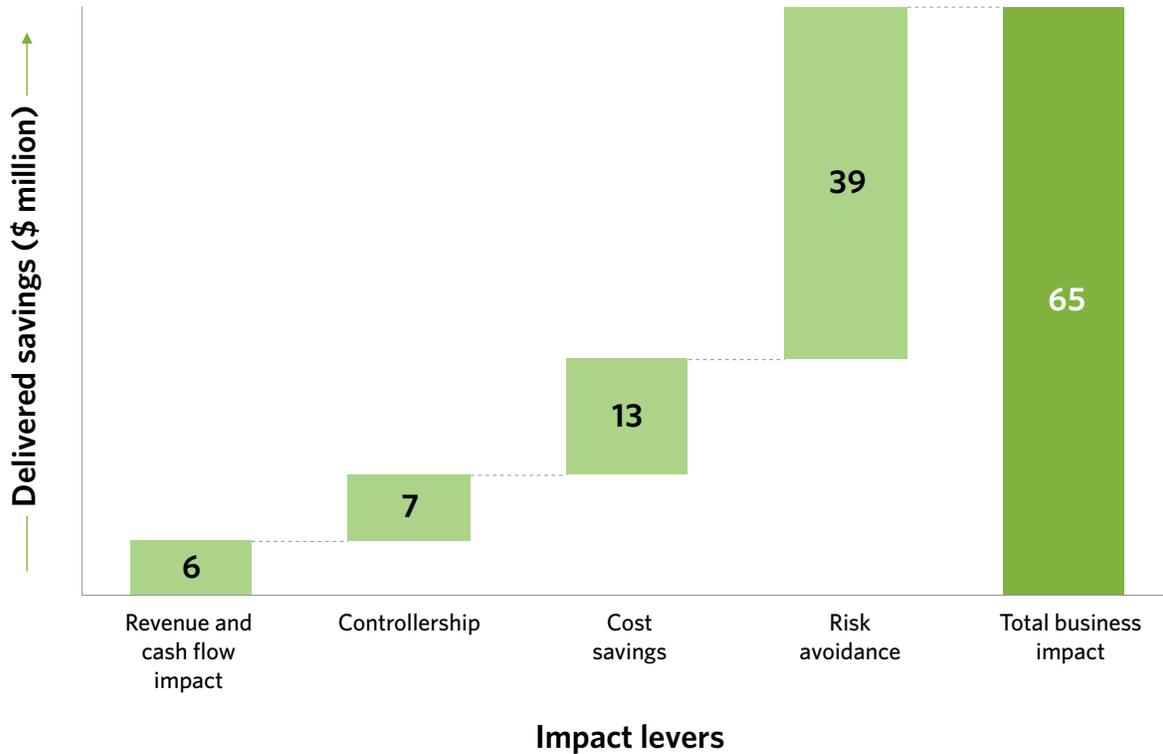
Enhanced technology and standardization also ensured better data quality for forecasting and modeling trade promotions spend and effectiveness going forward.

4 Automating the contract creation process

The existing contract creation process required data entry by hand and an excessive amount of repetitive interactions with the sales organization.

Function	Key metrics	Impact	Significance
Order management	Direct plant shipment (DPS)		Increase in direct plant shipment (%) helped reduce storage and transportation costs
	Shipped truck utilization (%)		Increasing utilization of transport vehicles enabled lower costs of transportation
Accounts receivable	Weighted average days late (WADL)		Reduction in WADL (by 14%) helped increase compliance and on-time payments, driving better cash realization for the company
Trade promotions	Payment accuracy (%)		Improved trade promotion payment accuracy led to better compliance, and savings due to risk avoidance

Total business impact of \$65 million delivered in under two years



The SAM tool resolved this by standardizing input while still allowing contract forms to vary among customers, and reducing the time needed to create a contract.

5 Improving the order management process

A large and complex customer base being served by fragmented, manual processes was resulting in at least one-third of orders not being filled completely.

Genpact's CSCR framework along with targeted technology enablement with a custom order management web portal, helped the client reimagine its order management processes.

Process improvements and effective use of technology enabled customers to automate orders, track and trace orders, and view product specifications and pricing. Objective scorecards provided one view of customer- and sales-experience. The resulting Data-to-Insight-to-Action loop surfaces intelligent customer insights for order management and related processes like trade promotions and accounts receivable, which help build stronger relationships with top retailers.

Business impact

A Lean DigitalSM approach helped the company address the initial challenges, and subsequently drive real, value-generating transformation faster.

In order management, the firm optimized days of supply by building predictability and reliability into the supply chain, and improved shipped truck utilization rates. Within twelve months of implementation, the company improved revenue for one of its top retailers by 5% and for its key retailers by over 1% by ensuring on-time, in-full order fulfilment. Additionally, optimal process performance via enhanced governance and **controllership reduced order-processing costs by 33%**. Accounts receivable accuracy and efficiency gains included a drop of 14% in WADL. In trade promotions, **improved accuracy** led to a 'green' audit, productivity gains, and reduced costs. These improvements have already contributed to \$65 million in business impact in under 2 years.

Over the next four years the company is expected to gain at least another \$120 million through **supply chain optimization, contract**

automation, trade promotion optimization and O2C transformation. The new digitally-powered operating model allows uninterrupted progression of **data-to-insight-to-action.** The resulting **intelligent operations** are not only

scalable and cost-effective but also sense changes to the operating environment faster and respond with far greater agility, driving greater competitiveness.

About Genpact

Genpact (NYSE: G) stands for “**generating business impact.**” We are a global leader in digitally-powered business process management and services. We architect the **Lean DigitalSM** enterprise through our patented Smart Enterprise Processes (SEPSM) framework that reimagines our clients’ operating model end-to-end, including the middle and back offices. This creates Intelligent OperationsSM that we help design, transform, and run. The impact on our clients is a high return on transformation investments through growth, efficiency, and business agility. For two decades, first as a General Electric division and later as an independent company, we have been passionately serving a few hundred strategic clients including one-fourth of the Fortune Global 500, and have grown to over 70,000 people in 25 countries, with key offices in New York City. The resulting business process and industry domain expertise and experience running complex operations are a unique heritage and focus that help us drive the best choices across technology, analytics, and organizational design.

For additional information, contact, consumergoods.services@genpact.com and visit www.genpact.com/home/industries/consumer-goods

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