

Internship Report On

“Operational Activities of Supply Chain Department at
Nestlé Bangladesh Limited”

Internship Report on
“Operational Activities of Supply Chain Department at
Nestlé Bangladesh Limited”

Supervised by

Mr. Mohammad Rezaur Razzak

Associate Professor

BRAC Business School

BRAC University

Prepared By

Nahid Islam

ID-09104050

BRAC Business School

BRAC University

Date of Submission

September 07, 2014

Letter of Transmittal:

September 09, 2014

Mr. Mohammad Rezaur Razzak

Associate Professor

BRAC Business School

BRAC University

Dear Sir,

This is my pleasure to present my internship report entitled “**Operational Activities of Supply Chain Department - Nestlé Bangladesh Ltd.**” which has been prepared as a requirement for the completion of the BBA Program of BRAC University.

It was a great opportunity for me to work at Nestlé - the world's largest Nutrition, Health and Wellness Company. I worked at Supply Chain Function of Nestlé Bangladesh Limited and successfully completed my internship. While working on the report, I have tried to follow every guideline that you had advised. I got extended support from Nestlé Bangladesh Supply Chain family both during my work and preparing my report.

Thanks again for your guidelines and support to prepare this report.

Sincerely Yours,

Nahid Islam

ID: 09104050

BRAC Business School

BRAC University

Acknowledgement

I would first like to thank my faculty advisor, Mohammad Rezaur Razzak Sir, BRAC University for assigning this topic and guiding me during my internship attachment with Nestle Bangladesh Limited. I am very grateful to my job instructors Mr. Arafat Islam (Manager, Service & Indirect Material) and Mrs. Nazia Sultana (Strategic Buyer) at Procurement Department of Supply Chain Function. They supported me at every stages of my internship program with knowledge and resources. Mrs. Nazia Sultana was my immediate supervisor during the full internship attachment and helped me with all my tasks and responsibilities. She deserves my heartfelt thanks for her cooperation in understanding Nestle culture, environment, work procedure and also preparing my report.

I am also thankful to my supply chain colleagues from different functions- Mr. Abdush Shakur (Customer Service), Mr. Monir Ahmed (Logistics), Mr. Mostakim Ahmed (Demand & Supply Planning), Mr. Mostafizur Rahman (Procurement) and Mr. Shakhawat Hossain (Procurement-Packaging Material). Their active participation to all my questions, queries during my internship attachment has made this journey a successful one.

Table of Contents:

Sections and Chapters	Contents	Page Number
	Preface	07
	Executive Summary	08
	List of Abbreviations	09
Chapter 01	Company Profile – Nestle and Nestle Bangladesh	10 - 18
1.1	Company Profile	11
1.2	History of Nestle	11 – 13
1.3	Nestle’s Mission and Vision	14
1.4	About Nestle Bangladesh Ltd.	15
1.5	Product Portfolio of Nestle Bangladesh	16 - 18
Chapter 02	Overview of Supply Chain Department	19 - 31
2.1	Brief Overview of term Supply Chain	20
2.2	Departmental Organogram – Nestle Supply Chain	21
2.3	How Nestle Supply Chain Works	22
2.4	Demand and Supply Planning	23
2.5	Procurement	24
2.5.1	Raw materials	25
2.5.2	Packaging materials	26
2.5.3	S&IM	27 – 28
2.5.4	Inbound Logistics	29 - 30
2.5.5	Customer Services and Distribution	31
Chapter 03	Duties and Responsibilities	32 - 37

3.1	Vendor Master Database Management	33 - 34
3.2	Categorization of Current vendors	35
3.3	Communicating Nestle Supplier Code to Suppliers	36
3.4	Ensure Nestle Supplier Code Compliance by Suppliers	37
Chapter 04	SWOT on Supply Chain	38 - 41
4.1	Strengths	39
4.2	Weakness	40
4.3	Opportunities	40
4.4	Threats	41
Chapter 05	Areas of Improvement	43
Chapter 06	Learning	45
Chapter 07	Recommendations	47
	Reference	48

Preface

First of all I would like to be grateful to the Almighty Allah, the merciful and the benevolent to enable me in completing my Internship and report successfully.

Internship Attachment a part of academic discipline for the BBA students has been designed to acquire practical knowledge of job life. It is expected that the integration of knowledge in theories and pragmatic job experience will make a student more efficient.

This report is prepared on overall operational activities of Nestle Bangladesh Supply Chain department. Nestle Supply chain is considered as one of the best Supply Chain on world and I was so fortunate to gain some brief knowledge on every aspects of Supply Chain function. My report has given a concise overview on how Nestle Bangladesh Supply Chain operates through its 3 major functional areas Demand & Supply Planning, Procurement (Raw and Packaging materials, Service and Indirect Materials, Logistics) and Customer Service & Distribution. In preparing my report I maintained the consecutive flow of works and coordination that these functions perform in Supply Chain Department.

Executive Summary:

This internship report is prepared on overall activities of Supply Chain Function of Nestle Bangladesh Ltd. I have prepared this report during my 3 months long attachment at Supply Chain Function. Nestle Supply Chain is considered as one of the prominent Departments because of its well structure and efficient lean and optimized operations. The operation of Supply Chain starts with *National Demand Planning* for products and then Supply Planning is prepared basis on that agreed Demand. On the basis of *Supply Planning* the Raw Materials and Packaging materials are being procured by *Procurement* from National and International Suppliers where *Inbound Logistics* releases the imported materials from port following customs formalities. This is then used for Production and later Primary Sales (invoicing) is done by *Customer Service and Distribution*.

The first part of the report gave a short introduction on Nestle global and Nestle Bangladesh along with history, business vision and mission and product portfolios. The second part is about the overview of Supply Chain function and its activities. The third part is about my duties and responsibilities that I performed as an intern in S&IM (Supply and Indirect Material) of Procurement Department of Supply Chain Function. The Fourth part explained the SWOT Analysis on Supply Chain and the next part explained the Areas of Improvement for Supply Chain Function. My overall learning on Supply Chain is also explained in the sixth part of the report. Finally at last part brief Recommendations prepared from my brief knowledge on Nestle Supply Chain.

List of Abbreviations:

- CDP = Consensus Demand Plan
- SKU = Stock Keeping Unit
- D&SP = Demand and Supply Planning
- MPS = Master Production Schedule
- MRP = Material Requirement Planning
- L/C = Letter of Credit
- PO = Purchase Order
- S&IM = Supply and Indirect Material
- PFI = Pro-forma Invoice
- CS&D = Customer Services and Distribution
- PR = Purchase Requisition
- RM = Raw Materials
- PM = Packaging Materials
- HS Code = Harmonized Coding System

Chapter 01

Company Profile

“Nestle and Nestle Bangladesh Ltd.”

1.1 Company Profile:

Nestlé - the world's largest nutrition, health and wellness company, not only in terms of its sales but also in terms of its product range and its geographical presence: Nestlé covers nearly every field of nutrition and food business : infant formula, baby food, milk products, chocolate and confectionery, instant coffee, ice-cream, culinary products, frozen ready-made meals, mineral water etc. Nestle is also a major producer of pet food. In most of these product groups and in most markets, Nestlé is the leader or at least a strong number two. Nestle is a much focused Company, with more than 94 percent of the sales coming from the food and beverage sector.

Nestlé is present around the globe, on all continents, with around 230,000 people working in more than in 84 countries with 466 factories and with sales representatives in at least another 70 countries. Many of their brand names are familiar to almost everyone: NESCAFE, NIDO, MAGGI, POLO, MILO, KITKAT, KOKO KRUNCH....Some of our products have broken records: 3,000 cups of Nescafe are consumed every second. And Kit Kat merited an entry in the Guinness Book of World Records as the world's best-selling chocolate bar with 418 Kit Kat fingers eaten every second around the world!

1.2 History of Nestle:

1866-1905

In the 1860s Henri Nestlé, a pharmacist, developed a food for babies who were unable to breastfeed. His first success was a premature infant who could not tolerate his mother's milk or any of the usual substitutes. People quickly recognized the value of the new product, after Nestlé's new formula saved the child's life, and soon, FarineLactée Henri Nestlé was being sold in much of Europe.

1905-1918

In 1905 Nestlé merged with the Anglo-Swiss Condensed Milk Company. By the early 1900s, the company was operating factories in the United States, Britain, Germany and Spain. World War I

created new demand for dairy products in the form of government contracts. By the end of the war, Nestlé's production had been doubled.

1918-1938

After the war Government contracts dried up and consumers switched back to fresh milk. However, Nestlé's management responded quickly, streamlining operations and reducing debt. The 1920s saw Nestlé's first expansion into new products, with chocolate the Company's second most important activity.

1938-1944

Nestlé felt the effects of World War II immediately. Profits dropped from \$20 million in 1938 to \$6 million in 1939. Factories were established in developing countries, particularly Latin America. Ironically, the war helped with the introduction of the Company's newest product, Nescafe, which was a staple drink of the US military. Nestlé's production and sales rose in the wartime economy.

1944-1975

The end of World War II was the beginning of a dynamic phase for Nestlé. Growth accelerated and companies were acquired. In 1947 came the merger with Maggi seasonings and soups. Crosse & Blackwell followed in 1960, as did Findus (1963), Libby's (1971) and Stouffer's (1973). Diversification came with a shareholding in L'Oréal in 1974.

1975-1981

Nestlé's growth in the developing world partially offset a slowdown in the Company's traditional markets. Nestlé made its second venture outside the food industry by acquiring Alcon Laboratories Inc...

1981-1995

Nestlé divested a number of businesses 1980 / 1984. In 1984, Nestlé's improved bottom line allowed the Company to launch a new round of acquisitions, the most important being American food giant Carnation.

1996-2002

The first half of the 1990s proved to be favorable for Nestlé: trade barriers crumbled and world markets developed into more or less integrated trading areas. Since 1996, there have been acquisitions including San Pellegrino (1997), Spillers Pet foods (1998) and Ralston Purina (2002). There were two major acquisitions in North America, both in 2002: in July, Nestlé merged its U.S. ice cream business into Dreyer's, and in August, a USD 2.6bn acquisition was announced of Chef America, Inc.

2003 +

The year 2003 started well with the acquisition of Mövenpick Ice Cream, enhancing Nestlé's position as one of the world market leaders in this product category. In 2006, Jenny Craig and Uncle Toby's were added to the Nestlé portfolio and 2007 saw Novartis Medical Nutrition, Gerber and Henniez join the Company.

1.3 Nestlé's Mission & Vision

Corporate Mission:

At Nestlé, we believe that research can help us make better food so that people live a better life. As consumers continue to make choices regarding foods and beverages they consume, Nestlé helps provide selections for all individual taste and lifestyle preferences.

Research is a key part of our heritage at Nestlé and an essential element of our future. We know there is still much to discover about health, wellness and the role of food in our lives, and we continue to search for answers to bring consumers Good Food for Good Life.

Corporate Vision:

Nestlé has an aim to meet the various needs of the consumer every day by marketing and selling food of a consistently high quality.

Good Food is the primary source of Good Health throughout life. We strive to bring consumers foods that are safe, of high quality and provide optimal nutrition to meet physiological needs. In addition to Nutrition, Health and Wellness, Nestlé products bring consumers the vital ingredients of taste and pleasure.

Confidence that consumers have in our respected brands, is a result of our company's many years of knowledge in marketing, research and development, as well as continuity – consumers relate to this and feel they can trust our products.

The objectives are to deliver the very best quality in everything we do, from primary produce, choice of suppliers and transport, to recipes and packaging materials.

1.4 About Nestlé Bangladesh Ltd.

Nestlé Bangladesh Limited started its first commercial production in Bangladesh in 1994 successfully. In 1998, Nestle S.A. took over the remaining 40% share from our local partner when Nestlé Bangladesh became a fully owned subsidiary of Nestlé S.A.

Nestlé Bangladesh's **vision** is to be recognized as the most successful food and drink Company in Bangladesh, generating sustainable, profitable growth and continuously improving results to the benefit of shareholders and employees.

Factory Location: Their factory is situated at Sreepur, 55 km north of Dhaka; the factory produces instant noodles, cereals and repacks milks, soups, beverages and infant nutrition products.

Today Nestlé Bangladesh Ltd. is a strongly positioned organization in FMCG Industry. The Company is growing faster through its policy of constant innovation and renovation, concentrating on our core competencies and commitment to high quality, with the aim of providing the best quality food to the people of Bangladesh. Their human resources goal is to be recognized as the preferred employer in Bangladesh. Nestle Bangladesh has currently 75 products of different Brands.

1.5 Products Portfolio of Nestle Bangladesh:

Local Manufacturing: Importing Raw materials and preparing at Bangladesh

Brand - CERELAC:

CERELAC is a range of nutritious, easily-digested instant cereals. It is suitable as a complimentary food for infants from six months onwards, when breast milk or formula alone no longer meet the baby's growing nutritional requirements. It is not a breast milk substitute. Worldwide, the brand was first registered in 1949. CERELAC in Bangladesh has following 4 stages for 4 kinds of children ages (starting from 6 months to 24 months).

CERELAC in Bangladesh has below SKU's (Stock Keeping Units)

- CERELAC 3.Fruits
- CERELAC Rice
- CERELAC Wheat Mixed Fruit
- CERELAC Wheat Mixed Vegetable
- CERELAC Wheat. Apple Cherry
- CERELAC Khichuri
- CERELAC Honey
- CERELAC Chicken



Brand – MAGGI Noodles:

Maggi noodles are a brand of instant noodles manufactured by Nestlé. Maggi noodles and Maggi Soup are part of the Maggi family, a Nestlé brand of instant soups, stocks, and noodles. Maggi Noodles has following flavors in BD:

- MAGGI 2Minutes Masala Fortified
- MAGGI 2Minutes Curry Fortified



Local Filling: Importing Semi finished bulks and packing in Bangladesh.

Brand - NIDO:

NIDO is Nestlé’s brand in the milk food segment. NIDO targets kids above 3 yrs. and is positioned as a food for growing children. The USP for Nido is that it is fortified with Calcium and Vitamin D which helps the kids develops strong and healthy bones. The TVC featuring the child and mother is now on air. Nido faces direct competition with the ordinary milk and milk based beverages. In Bangladesh NIDO has following SKU’s:

- NIDO 1+
- NIDO 3+
- NIDO Fortified



Brand - MAGGI Soup:

Part of A Natural Choice. Maggi Soup has Exciting authentic flavors with a wide range of uses, Bain-Marie stable, and freeze/thaw stable. It is Microwaveable. It has 12 months shelf life. It is Easy to prepare, and gives consistent results and perfect as a base for sauces and pies or simply served as a soup:

- MAGGI Health Soup Chicken
- MAGGI Health Soup Thai
- MAGGI Health Soup Vegetable



NESCAFE

Nescafé is a brand of instant coffee made by Nestlé. It comes in the form of many different products. The name is a portmanteau of the words "Nestlé" and "café". Nestlé's flagship powdered coffee product was introduced in Switzerland on April 1, 1938 after being developed for seven years by Max Morgenthaler and Vernon Chapman. Nescafe has 2 flavors in Bangladesh:

- Nescafe Classic &
- Nescafe 3 in 1



Other Imported items:

- LACTOGEN, NAN
- Coffee Mate
- Corn Flakes, Koko Krunch

Chapter 02
Overview of Department
“Supply Chain Management”

2.1 Brief Overview on term “Supply Chain”:

Supply chain is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities transform natural resources, raw materials, and components into a finished product that is delivered to the end customer. In sophisticated supply chain systems, used products may re-enter the supply chain at any point where residual value is recyclable. Supply chains link value chains

Supply chain consists of all parties involved, directly or indirectly, in fulfilling a customer request. The supply chain not only includes the manufacturer and suppliers, but also transporters, warehouses, retailers, and customers themselves. Within each organization, such as manufacturer, the supply chain includes all functions involved in receiving and filling a customer request.

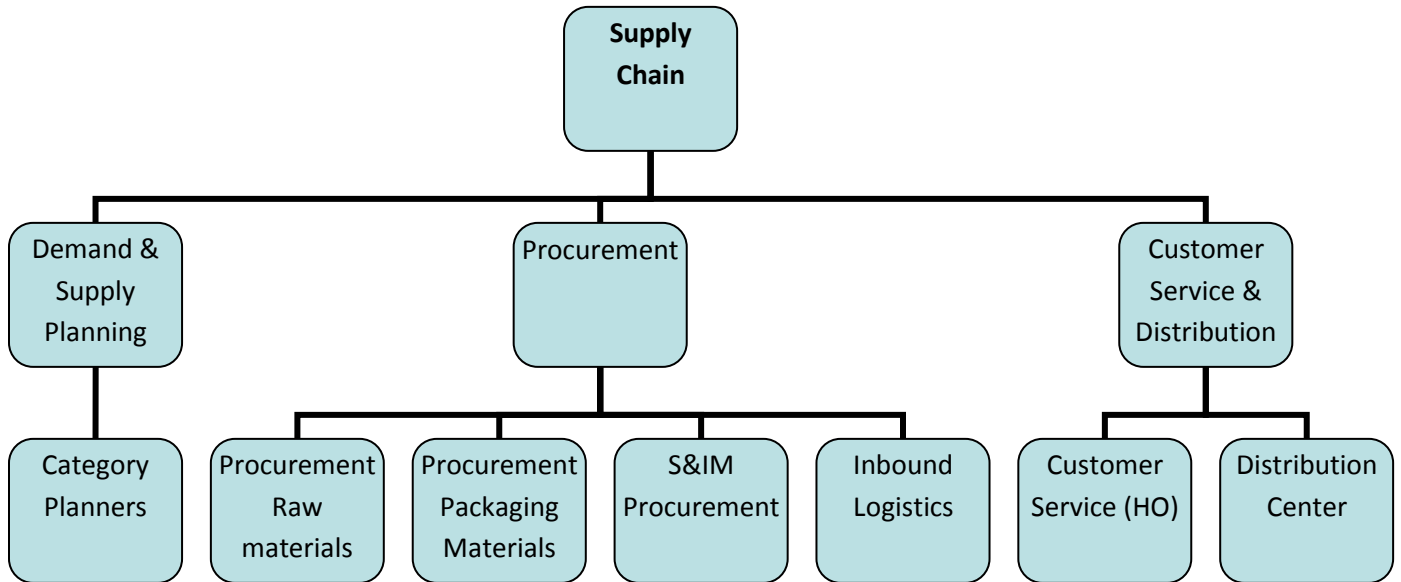
The customer is an integral part of the supply chain. The primary purpose from the existence of any supply chain is to satisfy customer needs, in the process generating profits for itself. Supply chain activities begin with a customer order and end when a satisfied customer has paid for his or her purchase. The term supply chain conjures up images of product or supply moving from suppliers to manufacturers to distributors to retailers to customers along a chain. It is important to visualize information, funds, and product flows along both directions of this chain.

The term supply chain may also imply that only one player is involved at each stage. In reality, a manufacturer may receive material from several suppliers and then supply several distributors. Thus, most supply chains are actually networks. It may be more accurate to use the term supply network or supply web to describe the structure of most supply chains.

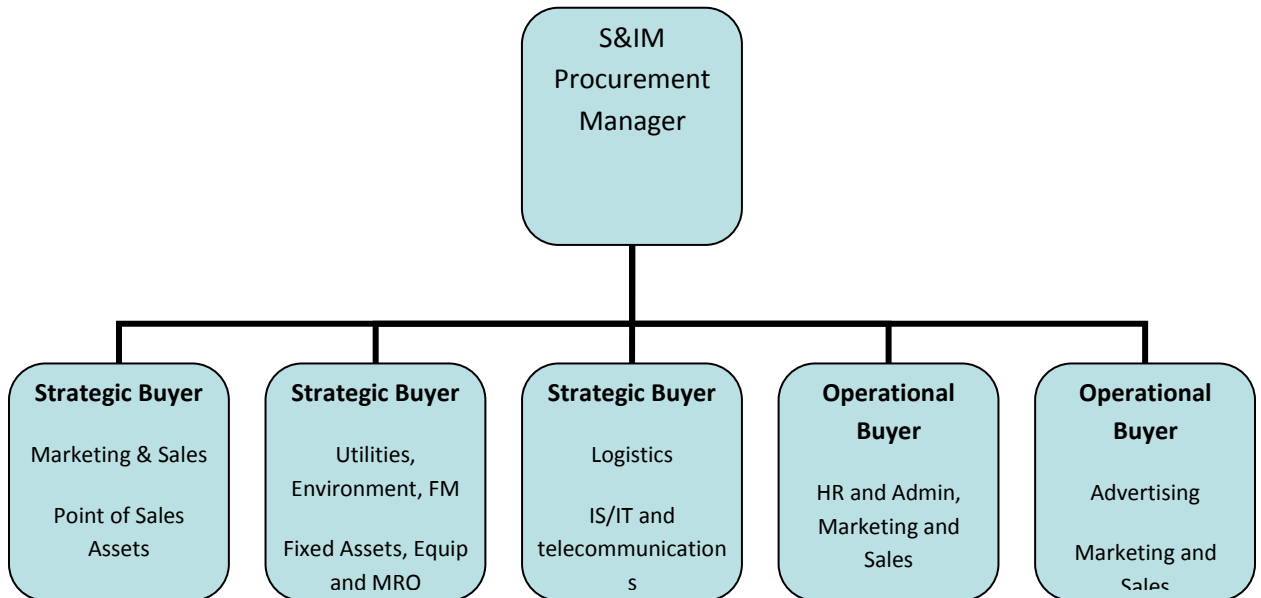
2.2 Departmental Organogram – Nestle Bangladesh Supply Chain:

Nestle Supply Chain Function has 3 departments and their activities are discussed below:

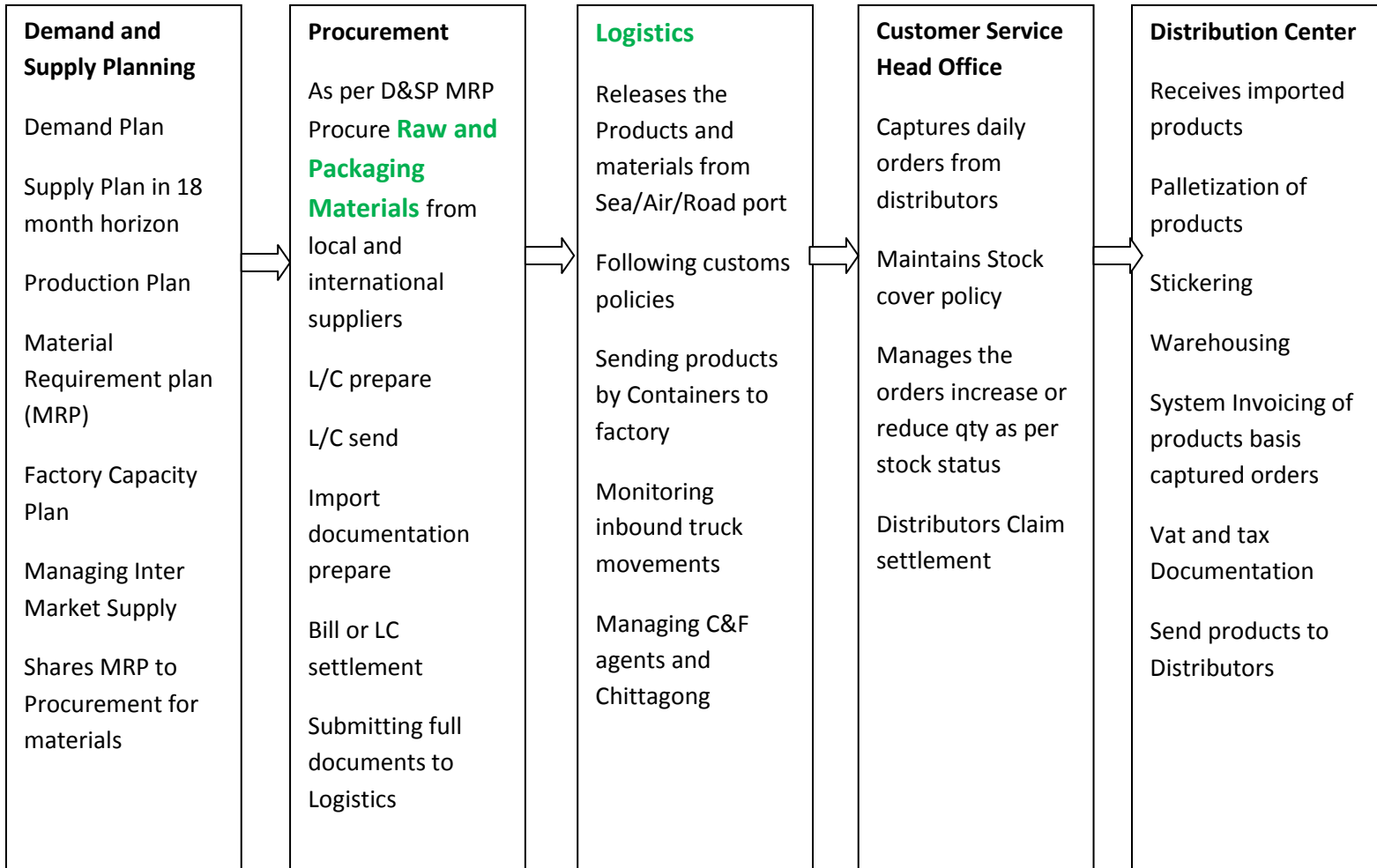
1. Demand and Supply Planning
2. Procurement
3. Customer Service and Distribution



I was appointed in S&IM (under Procurement Function) and the Organogram of S&IM is below:



2.3 How Nestle Supply Chain Works



S&IM (Service and Indirect Material)

Touches all the stages of value chain, Manages the Capital investment flow from start to execution

Manages budget wise spending

2. 4 Demand and Supply Planning: D&SP is regarded as one of the most critical area in Supply Chain. They perform the primary sales planning and supply planning at National level. Based on the planning figures prepared by D&SP all other areas of Supply Chain work.

- National Consensus Demand Planning (CDP) for each product on 18 months horizon
- National Supply Planning for each product on 18 months horizon.
- Production planning on weekly horizon with Factory Supply Chain and Production dept.
- Dispatch Planning on weekly horizon.
- Material Requirement Planning (MRP) for all Imported Raw and Packaging materials
- Ordering the Raw materials by Purchase Requisition while maintaining agreed Lead time with Procurement.
- IMSP (Inter Market Supply Planning) with Nestle Inter Market Subsidiaries.
- Regular participation and facilitation of MBP (Monthly Business Planning) process along with other stakeholders (Brand, Sales, Finance).
- Participation on Monthly Sales Review (MSR) meeting organized by Sales Department and facilitate the future 18 months demand planning process.
- Participation on Monthly Gap Review (MGR) meeting organized by Finance Department and checking whether there is any gap on the budget capacity versus demand planned.
- Organizing the Monthly Forecast Review (MFR) with all Department Directors and Sign off the Consensus Demand Plan (CDP) came through the MSR and MGR meeting.
- Organizing the Monthly Operational Review (MOR) with all Department Directors and Factory head to check whether there is any operational issue to meet MFR signed CDP.
- Ensuring that right product is available at the right time at right location with maximum freshness (shelf life).
- Optimizing Inventory level for Finished Goods, Raw or Packaging materials.
- Demand Planning accurately to facilitate Net Working Capital target of the company.

2.5. Procurement:

Procurement is responsible for procuring and ensuring timely arrival of the Finished Goods, Raw materials and packaging materials that has been ordered or planned by Demand and Supply Planning Functions with optimizing costs and ensuring higher freshness.

Procurement of Nestle Bangladesh has 4 key areas and their activities are discussed below:

- (a) Raw Materials
- (b) Packaging Materials
- (c) S&IM
- (d) Inbound Logistics

2.5.1 Raw Materials: Raw materials are a key area of Procurement which deals with all the imported and local raw materials. Their main task is to receive Raw materials requirement on a longer version of 1 year or 2 year and procure from supplier as per lead time and order quantity.

- Collecting Raw materials future forecast from D&SP (1-2 year horizon).
- Regular communication with suppliers on the Lead time and also sharing to D&SP.
- Collecting Orders by system (SAP) generated Purchase Request (PR) for materials from D&SP
- Create Purchase Order in System (SAP) basis the PR.
- Forward the Purchase Order to Supplier (international or local).
- Ask PFI (Proforma Invoice) from Supplier which includes quantity, price, shipment date etc.
- Verification of PFI.
- Prepare Letter of Credit (L/C) by authorized Bank and forwarding to the supplier.
- Define the mode of payment, Bank selection etc.
- Collect the necessary documents from Supplier before and after Dispatch.

(Documents are Packing List, Certificate of Origin, Health Certificate, Certificate of Analysis)

- Define Mode of Dispatch (Sea/Road/Air).
- Dispatch monitoring by checking in website.
- Ensuring Insurance coverage during transportation.
- LC settlement when product reaches Chittagong port.
- Document submission to Inbound Logistics for further processing from Chittagong port.

2.5.2 Packaging materials:

Packaging is an integral part for each products of Nestle Bangladesh Limited as it saves the product itself. Packaging is done for keeping the proper characteristics of Nutrition and Health in a particular product. Nestle Bangladesh Limited is concerned about its packaging compared to other buyers in the market. This is the reason why Nestle shows its full concern in selecting an appropriate vendor.

In Nestle Bangladesh we have 17 suppliers (13 local and 4 international)

There are 7 Category of Packaging:

1. Flexi Laminate-Used for products such as Noodles Packet.
2. Case Corrugated-Used for Shipping Carton.
3. Solid Board-Used for products such as Cerelac, Nido.
4. Metal Tin Can-Used for products such as Nido.
5. Rigid Plastic-Used for products such Spoon provided in the Nido.
6. Adhesive-Used as a means of Glue.
7. Flexible Accessories- Used as a means of Tape.
 - By the help of SAP, contract is created and for each type of category there is a different vendor assigned.

Workflow of packaging order to payment:

- Factory Supply Chain gives Purchase requisition for Packaging Materials.
- Creating PO and forward to Supplier.
- Make Yearly Contract basis future forecasts.
- Taking Delivery of packaging.
- Make payment to supplier.

2.5.3 S&IM (Supply & Indirect Material):

S&IM (Service & Indirect Material) is another key area of Nestle Supply Chain who deals with capital expenditures, indirect materials and Media buying and negotiation.

S&IM deals with the capital expenditures on different sectors of company. Its functional area includes Capital investment in Factory and investment in New Machines or Production lines to Marketing or Promotion costs, Advertising costing, Media buying, Indirect Material purchase etc

S&IM works mainly with 10 categories:

01. Advertising:

02. Marketing & Sales:

03. Point of Sales Assets (POS)

04. Utilities, Environment & Factory Management

05. Fixed Assets, Equipment. & MRO

06. Administration & HR Services

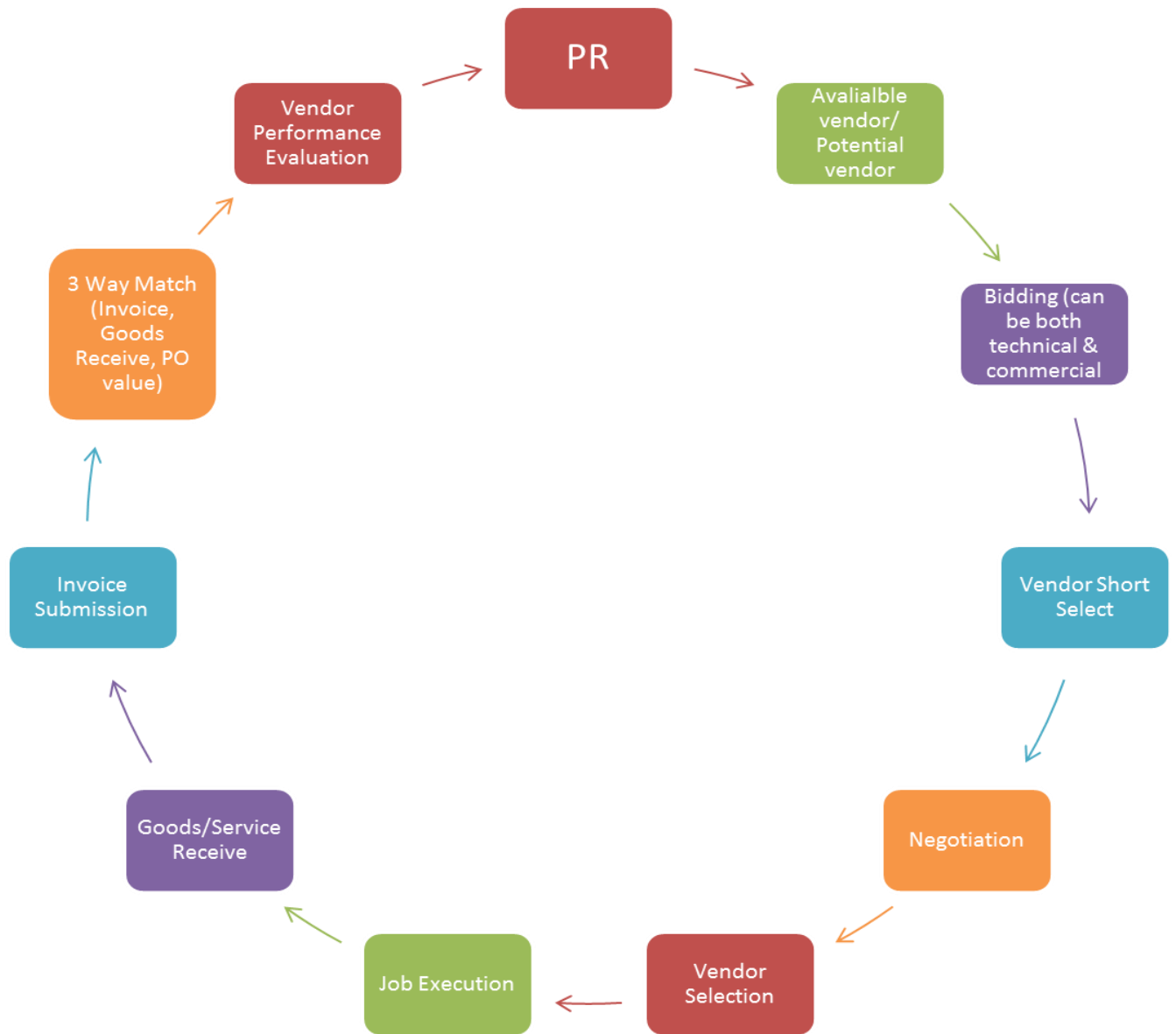
07. Other Professional Services

08. Contract Manufacturing

09. Logistics

010. IS/IT & Telecommunication

Operational Activities Flow of S&IM



Explaining the Workflow in S&IM:

- Initially, PR (Purchase Requisition) is sent by E-mail.
- It is matched whether there is definite scope.
- Vendor is shortlisted according to the requirement.
- Request Completed.
- Vendor is selected among **Available Vendor, Potential Vendor and Enlisted Vendor.**
- Then it is categorized whether the type of Vendor is Buyer Insight (for marketing buyer) or Market Insight.
- Job Rotation is done among the employees in concern that everyone has knowledge of the entire work.
- Bidding is done by asking the vendors to submit quotation depending on which vendors are shortlisted.
- Vendors with the lowest price quotation are selected and then other factors are matched only then they are finalized.
- Negotiation is done through break up which makes the comparison between the prices easier.
- Final offer is proposed.
- Selection is completed.
- Contract is made which are three types: Long-term, Short-term and One-time.
- After that, PO (Purchase Order) is created and approved; job execution is done when the Service or Goods is received.
- Bill is submitted.
- 3 way matches is done. (Invoice, Goods Received, PO Value).
- At the end Payment is done.

➤ Strategic Process in S&IM:

- Volume is accumulated so that the process is done in low cost and does not take a lot of time.
- Market Analysis is done to find out what kind of market the vendors belong from.
- Respective to that, negotiation is set e.g. if the vendor is best in the market less negotiation is done.
- In case of taking Long-term strategy, S&IM ensures that stakeholders are well aligned.

2.5.4 Inbound Logistics:

Inbound Logistics is an integral part of Supply Chain Management in Nestle Bangladesh Limited. Their tasks start right after getting the final shipment documents from Raw materials division. Inbound Logistics mainly works to release the imported items from Chittagong port or Dhaka Airport or Benapol port. They arrange the Duty payment to govt. After getting the release they also ensure the transportation from port to factory. Their key tasks are:

- Ensuring Supply:

In ensuring supply, products are bought from exporting country to the respective factory warehouse. Inbound Logistics maintains production availability throughout the process. There are two types of product: Raw Material and Finished Goods (which is the end product). Inbound Logistics basically helps business to bring the imported product at right time and in right place. Its main operation is monitoring, follow-up the imported product so that supply is ensured. It is done with ensuring maximum advantage of the business.

- Customs Clearance:

Inbound Logistics monitors customs activity of imported materials as per compliance, ensuring proper commercial value and Duty & Taxes with H.S. Code (Harmonized Coding System). It facilitates all customs activity getting the important materials within a specified lead time.

- Sea-Transport:

Inbound logistics also look after sea transports related to imported materials. It dispatch load to country of origin to country of destination within the whole process. It contracts with shipping agents who are carrying goods from one country to another.

- Inland Transport:

Inbound logistics maintain inland transport services carrying the goods from different part to warehouse.

- Legal Activity:

Inbound logistics also accomplish legal activity such as resolving disputes at customs end for any variations of imported goods quantity or documents. It settles all disputes as per import Policy order, Valuation rules, Customs Act and NBR (National Board of Revenue).

- Claim Settlement:

Furthermore, inbound logistics facilitates insurance claims of imported goods if any damages occur. It also carries insurance as act retrieved all imported damaged shipments and also any other damage shipment. These all occurs as per Insurance norms defined for each and every condition.

2.5.5 Customer Service and Distribution (CSD):

CSD is a key function of Supply Chain who are mainly dealing with daily Primary Sales of Nestle with its distributors.

- Nestle Bangladesh Limited has 113 distributors around Bangladesh and it is divided into 6 Sales regions.
- Sales are categorized into three types and they are Primary Sales, Secondary Sales and Tertiary Sales. **Primary Sales**- Primary Sales are Products that are sent to distributors throughout the year. **Secondary Sales**- **Secondary Sales** are Products that are sent from distributors to the assigned outlets. **Tertiary Sales**- Tertiary Sales are Products that are sent from outlet to the perspective consumer.
- Customer Service is engaged in primary sales only.
- There is a Monthly target set for each Product and for which there is CDP (Consensus Demand Planning) which ensures proper delivery.
- Customer Service ensures that the monthly CDP is properly given to all the distributors.
- For each product there is a norm for the distributor coverage that they cannot keep a particular product over the norm. Customer Service here manages the distributor norms also by checking their current stock and giving them new stocks as per their orders.
- For each product there is a stock, target and after finishing the process it is found how much of the stock remains.
- Software SAP is used in order to carry out the whole process which makes it quite easier to carry on.
- Nestle Bangladesh Limited has a policy that is “at first they take the payment and then deliver product”.
- Shipping Planning is also done by Customer Service and also the truckload plan done that how much product will be carried out.

Chapter 03

Duties and Responsibilities

I was assigned to S&IM function (Supply and Indirect Material) of Nestle Bangladesh Supply Chain department. My major tasks were:

- To Prepare Vendor Database Management System
- Vendor Categorization in the Database
- To communicate with Suppliers and vendors on Nestle Suppliers Code
- To Ensure that all suppliers are complying to Nestle Suppliers Code

3.1 Preparing Vendor Database Management System:

Managing vendors is a complex process which, if done right, can deliver many rewards for a large organization. Large organizations like Nestle Bangladesh Limited have many vendors that provide products and services. These vendors category also have a subset of vendor with segregated tasks and specialization. Poor performance by vendors can result in late shipments, faulty products, legal liability, environmental problems, poor publicity, higher costs, or lost profits. Clearly it makes sense to prepare a Vendor Database with relevant details so anytime the vendor can be tracked down. The challenge was to manage vendor's diversified information and interactions with many different vendors, departments, geographic locations, and people.

Currently Nestle Bangladesh has total 10 spend Categories and they include with multiple number of vendors. My tasks was to prepare a robust Vendor Database Management system by assigning all these vendors to the proper spend categories while enlisting all the best possible details of these vendors.

By preparing the Vendor Database with all details and putting each vendor under correct Spend Categories my responsibility was to assist in below ways:

- **To improve vendor selection process for the Strategic and Operational Buyers:** For any task we have multiple of vendors so by few clicks a Buyer can identify available options and their details.

- **To assist in Consolidation:** It can take a lot of work to manage multiple suppliers of the same product or service. For any items that Nestle buys, it can make the most sense from a quality, cost reduction, and time management standpoint to consolidate buying of the product or service through one vendor. This can allow the company to maximize volume discounts and can simplify the process of managing the relationship.
- **By recording the past performance on each vendor they can *Predict Performance of a future selected vendor:*** By periodically tracking supplier performance and changes in supplier performance over time, it is possible to develop trends and extrapolate likely performance into the future. This can allow a company to take prompt corrective action and to stop a problem before it becomes a hit to the bottom line.
- **Improve Operational Performance:** Using vendor database management systems to collect data on a vendor's operational performance. Some operational data that Nestle might collect, include the vendor's quality, lead times to supply, service levels, what type of product they sale or what type of service they provide. The group or the department that is using the vendor's products or services can measure the quality of those goods or services.
- **Tracking lead times:** By this we can know the amount of time it will take the vendor to provide the products or services. This type of data can be used to measure the vendor's performance and overall capabilities.

3.2 Categorization of Current Vendors:

There are total 10 spend categories and my task was to categorize all the 300+ local suppliers based on below categories that will help my colleagues on choosing the right vendor quickly. This will help S&IM function to get knowledge on different category vendors quickly and efficiently.

The categories are shown below:

01 Advertising:

02 Marketing & Sales:

03 Point of Sales Assets (POS)

04 Utilities, Environment & Factory Management

05 Fixed Assets, Equipment. & MRO

06 Administration & HR Services

07 Other Professional Services

08 Contract Manufacturing

09 Logistics

010 IS/IT & Telecommunication

3.3 Communicating Nestle Supplier Code to Suppliers:

Nestle Supply Chain never compromises with Quality and this is also same for all of its Supplier and Vendor. All Supplier and Vendor must comply with Nestle Supplier Code and Policy that ensures the best quality at every sphere of the value chain.

The Nestlé Supplier Code defines the non-negotiable minimum standards that Nestle asks to suppliers to respect and to adhere when conducting business with Nestlé. This document helps the implementation of Nestle’s commitment to international standards such as the UN Guiding Principles on Business and Human Rights, the Core Conventions of the International Labor Organization (ILO) etc.

The standards of the Code is applicable for the Supplier with whom Nestlé does business, including their parent, subsidiary or affiliate entities. In addition, through its Responsible Sourcing program, Nestlé reserves the right to verify compliance with the Code through internal or external assessment mechanisms.

In this regard my key responsibility was

- Regular communication with all local Suppliers on the code.
- To ensure suppliers Acknowledgement of the Code (this is a pre-requisite in every Nestlé contract for supply).
- Ensure that through the acceptance of the Code, the Supplier commits that all its operations are subject to the provisions contained in this Code.

3.4 Ensure Nestle Supplier Code compliance by Suppliers:

To ensure the robust acknowledgement process my tasks were:

- Sharing the Nestle Supplier Code to all suppliers.
- Communicating the details about the code to the suppliers
- Collecting and collating individual suppliers feedback on the Supplier Code
- Disseminating the suppliers feedback about Supplier code to the management
- Ensuring all suppliers feedback and agreement to comply the code
- Helping Suppliers to understand the code and its details

Chapter 04

SWOT Analysis on Nestle Bangladesh Supply Chain Department

4.1 Strengths:

1. **Lean Supply Chain:** Nestle Bangladesh Supply Chain department always focuses on LEAN way of working that means no wastage of time, cost, and process. In all its activities starting from Planning, then Procuring, then Logistics, Warehousing, Production and Primary Sales to Distribution to Distributors everywhere they work with LEAN by optimizing costs and time in below ways:
 - Optimized Inventory Planning to reduce wastage of inventory
 - Smaller Lead time in procurement to reduce wastage of time
 - Cost optimization with suppliers by robust negotiation to reduce wastage of costing

2. **Structured and Diversified functional areas:** Nestle Supply Chain is very well structured with a diversified functional set up. As earlier mentioned in the report Nestle Supply Chain has 3 major functions:
 - Demand and Supply Planning
 - Procurement and
 - Logistics.

This functional diversity of supply chain function made it possible for contributing from Planning to Sales in each and every phases. Beyond any doubt it can be said that Nestle Bangladesh has a much organized and diversified Supply Chain comparing to any other companies in Bangladesh.

3. **Internal and External Alignment:** Nestle Supply Chain has a strong alignment with internal stakeholders (all other departments in Nestle Bangladesh) and also with External stakeholders (like Suppliers, Vendors, Govt. Authorities etc).

4. **Efficient and Highly skilled people:** The strength of Nestle supply chain contribution is fully dependent on its people. Outstanding people are hired, developed and retained with integrity. As a team they nurture their development and actively help them develop the business skills and experiences they need to fulfill our mission and objectives.

4.2 Weakness:

1. **Less Local Supplier:** As Nestle Bangladesh focuses more on quality it becomes so tough to search local suppliers who complies with nestle quality and way of working. Only a few numbers of local suppliers can match Nestle policies and Quality. For this reason, if one local Supplier fails to provide materials timely there is risk of materials shortage and product out of stock.
2. **Import-dependency:** Nestle Bangladesh always believes in delighting consumer's with highest quality and that's why still the local suppliers are not ready with that quality. Almost 70% of Raw Materials are imported from different countries across the earth. This creates complicacy in the import process and also costing.
3. **Very High Lead time:** As most of the Raw materials and finished goods are imported it has a very long lead time varies from 2 months to 4 months sometimes. This high lead time of Order to Factory Delivery process creates high risks in times of product shortages and also makes the process lengthy.

4.3 Opportunities:

1. **Developing Local Suppliers:** Now-a-days in terms of quality products and materials our local companies are also doing well. Here Nestle Bangladesh has a great opportunity to develop the local suppliers and teach them about the cultivation method. Especially for Milk Powder, Spices or Oil items they can develop local supplier. This will save huge amount of money and time for Nestle and also will be beneficial for our country too.
2. **Bad Goods reduction project:** Every month a large number of imported goods are damaged or dented during transportation from abroad by (road or sea). Even local products are also damaged during transportation from Nestle warehouse to Distributor warehouse. Here Supply Chain arrange Training for transportation authorities and take extra cautions to prevent these unexpected costs.

4.4 Threats:

1. Unfavorable Govt. Policy: Bangladesh Govt. has imposed very high import tax and duty for imported materials. Even this tax varies from Local companies to Multinational Companies. There are unethical practices of local companies so they don't even need to pay tax or duty at port. But as Nestle is a MNC, it gives very high import duty and this rate increasing day by day.
2. Political Unrest: The Distribution function of Nestle Bangladesh Supply Chain is now catering the national demand of 100 distributors only by one Distribution Warehouse. It becomes so tough to manage National supply during the Political Unrest as we don't have any regional depot. Even it becomes impossible to transport the imported Raw materials from Chittagong port to Sreepur Factory during the unrest. Our Supply Chain faced great problems during the continuous strikes in 2007 and 2013 end. This is a great threat that leads to Raw Materials Shortage or Finished Goods out of stock.
3. International Transfer Price fluctuations: Nestle Bangladesh Imports raw materials from many 3rd party suppliers across the earth. Like other companies here is a price agreement with the Supplier fixed for quarterly basis. With the international materials price fluctuations this price also fluctuates more and suddenly. Same raw materials imported in one quarter may be priced 25% higher in next quarter. This is a big threat for costing purposes of raw materials that cannot be predicted earlier.

Chapter 05

Areas of Improvement

1. Local Supplier Development: Nestle Bangladesh need to develop local suppliers of our country to gain benefit in longer period of time. For this they should teach the local raw materials suppliers about the cultivation methods. Now-a-days in terms of quality products and materials our local companies are also doing well. Especially for Milk Powder, Spices or Oil items they can develop local supplier. This will save huge amount of money and time for Nestle and also will be beneficial for our country too.
2. Import Lead time reduction: At present most of the raw materials are imported and for most of them the lead time (Order to Factory arrival time) is very high. Average lead time is 2 months to 4 months. Here Nestle Bangladesh need to reduce lead time by negotiation with international suppliers or Nestle inters market subsidiaries.
3. Regional Distribution coverage: Nestle Bangladesh need to set up some regional distribution warehouses at least in the major Divisions like Chittagong, Khulna and Barisal so it will be beneficial for quick product supply in the political unrest situations.
4. Setting more alternate Supplier: Setting more alternative suppliers will help during the crisis period especially when one supplier failed to supply materials on time, they can quickly get the materials from another supplier.

Chapter 06

Learning

I was fortunate of doing my internship in Supply Chain Department of Nestle Bangladesh Ltd. Nestle Supply Chain is globally known as Supply Chain University because of its well structure and diversity of works. Though I worked in S&IM (Supply and Indirect Material) function of our Department, I got great opportunity to learn about basis tasks from other functions of supply chain too. The overall key learnings experience in nutshell is explicated below:

- Nestle Supply Chain never compromises with Quality and this is also same for all of its Supplier and Vendor. All Supplier and Vendor must comply with Nestle Supplier Code and Policy that ensures the best quality at every sphere of the value chain.
- Success of Supply Chain depends on perfect internal and external stakeholder's co-ordination, where Nestle Bangladesh Supply Chain is managing this co-ordination among stakeholders very effectively and efficiently. By nature of its structure Supply Chain has a link with all other departments tasks and thus greatly impacts the success of other departments.
- Nestle Supply Chain always emphasizes to make Nestle a Lean organization. As already shared in the report Lean means no wastage (money, time or anything). For Nestle Bangladesh Supply Chain department this is a continuous Journey to be Lean.
- Planning is the most important task that serves as the operational success pillar of Nestle Bangladesh Supply Chain Department. The overall Planning accuracy especially in terms of demand and supply planning is very good in Nestle Bangladesh Ltd. That gives Supply Chain department a robust platform to work.

Chapter 07

Recommendations

- Nestle Bangladesh Supply Chain is one of the best Supply Chain department of Bangladesh. As most of the raw materials are import based the overall process in supply chain is much complex and lengthier. This is why along with the product development function and Marketing function Supply Chain should strive to explore local sourcing options more.
- A strong Vendor/Supplier performance tracking system need to prepare with monthly actual performance monitoring against target. This will be helpful for future considerations on contract renewal or service taking.
- Food and Beverage business in Bangladesh is becoming very competitive day by day. Price is becoming the most important determinant for consumers. Considering this the high price product offerings are becoming so risky to survive. In order to raise Marginal Contribution (MC) of product and also to charge an affordable price the sourcing strategy need to be reviewed by searching for local suppliers and developing them to meet Nestle standard.
- More regional distribution warehouse need to setup to operate quickly across the country and especially during political unrest it will help. At least 6 warehouses in 6 divisions will help to reduce their transportation cost.

References:

1. www.nestle.com
2. <http://en.wikipedia.org/wiki/Nestle>
3. scm.ncsu.edu/scm-articles/article/what-is-supply-chain-management
4. Nestle Bangladesh internal journals and guidebooks
5. Personal Interview with all functions

----- X -----