

Report On
Procurement And Supply Management of SMC Enterprise Limited

By
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An internship report submitted to the BRAC Institute of Governance & Development (BIGD), BRAC University in partial fulfillment of the requirements for the degree of ‘Masters in Procurement & Supply Management’

BRAC Institute of Governance & Development
BRAC University
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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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Letter of Transmittal

Dr. Md. Moniruzzaman

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BIGD, BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of PSM-665: Supply Chain Management in Practice-Report.

Dear **Sir**,

I would like to request the opportunity to present my internship report titled "Procurement and Supply Management of SMC Enterprise Limited " as a partial requirement for the completion of my MPSM program at BIGD, BRAC University. Drawing upon my past work experience with SMC Enterprise Limited, I have endeavored to encapsulate the comprehensive procurement and supply chain management practices employed by the company in this report.

I have devoted my utmost effort to compile the report, ensuring it contains all necessary information and proposed recommendations in a highly crucial, concise, and comprehensive manner. I am confident that this report meets the standards expected of an academic report.

Sincerely yours,

Md. Erfanul Hasib

Student ID: 21382023

Masters in Procurement and Supply Management

BRAC Institute of Governance and Development (BIGD), BRAC University

Date: 29/12/2023

Non-Disclosure Agreement

This agreement has made and entered into by and between SCM Enterprise Limited as the First Party and the undersigned student at BRAC Institute of Governance and Development, BRAC University as the Second Party. The First Party has allowed the Second Party to prepare a report on the former Inventory Management and Warehousing in partial fulfillment of the requirements for the degree of Masters of Procurement and Supply Management. The Second Party will have the opportunity to work closely with the officials of the organization and have access to official data and information. Based on work experience, data, and information collected the Second Party will prepare a report. The Second Party will use all sorts of data and information for academic purposes and will not disclose to any party against the interests of the First Party.

Student's Full Name & Signature:

Md. Erfanul Hasib
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Acknowledgement

First and foremost, I would like to express my heartfelt gratitude to the Almighty, the most merciful, for His unwavering blessings. I also extend my profound appreciation to my beloved parents, who have consistently served as my primary source of inspiration and motivation throughout my journey towards earning a Master's in Procurement and Supply Management (MPSM). Their unwavering support has been instrumental in my successful completion of this report and practicum.

I am truly at a loss for words to convey my gratitude to Dr. Md. Moniruzzaman, my academic supervisor at BIGD, BRAC University. His invaluable support and guidance during these challenging global pandemic times have been exceptional. Dr. Md. Moniruzzaman has been a guiding light, assisting me at every step of producing this report with utmost clarity.

Furthermore, I extend my deep and sincere thanks to my industry supervisor, Rabiul Islam, Manager-Import Commercial, and Abdur Rouf, GM of Supply Chain Management. Their willingness to provide me with the opportunity to undertake this practicum and their invaluable guidance throughout this period have been of immeasurable value. It has been an absolute privilege and honor to work and study under their supervision. Their professionalism, extensive industry experience, knowledge, dynamism, vision, sincerity, and motivation have left a lasting impression on me.

Lastly, I wish to acknowledge my profound gratitude and humility for the enriching learning experiences afforded by the MPSM program offered by BIGD, BRAC University.

I would like to say thanks to my MPSM fellows and colleagues for their constant support, understanding and encouragement. Nevertheless, my special gratification and humbleness to them, who constantly supported me to accomplish this Report/Practicum.

Executive Summary

SMC started social marketing program in Bangladesh in 1974. Overall mission of SMC is to improve the health and wellbeing of women, children and families through social marketing of products and services in family planning, maternal and child health, nutrition and other socially beneficial areas

In 2014, SMC formed SMC Enterprise Ltd (EL), a for-profit subsidiary to separate profitable activities from nonprofit to effectively manage a growing and complex operation. The Pharmaceutical Division of SMC Enterprise Limited started its journey in 2017 with the key objective of “no one should suffer, especially the less-privileged ones due to lack of affordable quality medicine”. It markets a full range of family planning products, Oral Rehydration Salt (ORS)- 61% market share, Micronutrient Powder (MNP), Multiple Micronutrient Supplement (MMS), Deworming tablets, Zinc and other public health products like Napkin, Diaper etc.

The report has been organized based on Author’s hands-on practical involvement at SMC EL during the working period. The operation of the department highlighted in this report is Procurement and Supply Chain Management Department of SMC Enterprise Limited compared to the established pharmaceuticals industry as well as FMCG industry.

In this report, in the first chapter the introductory part covered the background of the report, the report scope, objectives of the study, sources of the information and the constrained faced during preparing this report has been covered. The second chapter contains the profile of company, its History, Vision & Mission, products, and services offered by it, departments of it and organizational structure etc. Chapter three and four cover the supply chain activities of SMC EL. Author focuses on SCM in Based on the overall report author provided some recommendations for SMC EL supply chain management.

Table of Contents

Declaration.....	ii
Letter of Transmittal.....	iii
Non-Disclosure Agreement.....	iv
Acknowledgement.....	v
Executive Summary.....	vi
List of Tables.....	x
List of Figures.....	xi
List of Acronyms.....	xii

Chapter 1 Introduction

1.1 Introduction.....	1
1.1.1 Mission.....	2
1.1.2 Vision.....	2
1.1.3 Values.....	2
1.2 Background Study.....	3
1.3 Report Objective.....	3
1.4 Methodology.....	4
1.5 Limitations.....	5

Chapter 2 OVERVIEW OF ORGANIZATION

2.1 Company History and Evaluation.....	6
2.2 Manufacturing Plant.....	7
2.3 Different SKUs.....	8

2.4 Financial Performance.....	8
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Chapter 3 PROCUREMENT AND SCM OF SMC EL

3.1 Supply Chain Management.....	10
3.1.1 Definition.....	10
3.1.2 Major Criteria of SCM.....	12
3.1.3 SCM of SMC EL.....,,	13
3.1.4 SCM Network Flow.....	14
3.1.5 Departmental Matrix.....	16
3.1.6 SCM Framework.....	16
3.1.7 SCM Process Flow.....	17
3.2 Procurement Procedure.....	18
3.2.1 Raise Of Indent.....	18
3.2.2 Purchase Request.....	18
3.2.3 Source of Supply.....	18
3.2.4 Validation of Vendor.....	19
3.2.5 Purchase/Word Order Proposal.....	19
3.2.6 Function of SCM.....	19
3.2.7 Procurement Community Organogram.....	21
3.2.8 Methods of Procurement.....	22

3.3 Different Procurement and Supply Chain Strategies.....	23
3.4 The Distribution and Logistics Network.....	25

Chapter 4 OBSERVATION AND RECOMMENDATION

4.1 Observation.....	27
4.2 SWOT Analysis of SMC EL.....	30
4.3 Recommendation.....	34
4.4 Conclusion.....	36
REFERENCES.....	37

List of Tables

Table 1: Different SKUs of SMC EL.....

Table 2: Major Criteria of SCM.....

Table 3: Kraljic Procurement Matrix

List of Figures

Figure 1: Product Category wise Target Fulfilment

Figure 2 3 Stages of Supply Chain

Figure 3: 5 Basic Steps of Supply Chain Management

Figure 4: Major items Procured

Figure 5: Organogram of Supply Chain Management Team in SMC EL

Figure 6: Departmental Matrix

Figure 7: The Supply Chain Framework

Figure 8: Procurement Procedure Flow Diagram

Figure 9: Total Procurement Volume in FY 22-23

Figure 10: Sales Distribution Network

Figure 11: Inventory Turnover Ratio

Figure 12: SWOT Analysis

List of Acronyms

SMC	Social Marketing Company
EL	Enterprise Limited
SCM	Supply Chain Management
ORS	Oral Rehydration Salt
MNP	Micronutrient Powder
MMS	Multiple Micronutrient Supplement
FMCG	Fast Moving Consumer Goods
BDHS	Bangladesh Demographic and Health Survey
GH&N	General Health and Nutrition
FMD	Food Manufacturing Division
CPR	Contraceptive Prevalence Rate
CYP	Couples-Years of Protection
DPIM	Demand Planning and Inventory Management
ISO	International Organization of Standardization
L/C	Letter of Credit
SLA	Service level agreements
ERP	Enterprise Resource Planning
EOS	Economy Of Scale

CHAPTER 1

INTRODUCTION

1.1 Introduction

In 1974, SMC initiated a social marketing program in Bangladesh with a core mission focused on enhancing the well-being and health of women, children, and families. This mission is achieved through the promotion of various products and services in critical areas such as family planning, maternal and child health, nutrition, and other socially beneficial sectors. SMC collaborates closely with the government, development partners, and the private sector to accomplish these goals and is a key contributor to Bangladesh's national health and family planning efforts.

SMC plays a pivotal role in the marketing of a comprehensive range of products, including family planning items, Oral Rehydration Salt (ORS), Micronutrient Powder (MNP), Multiple Micronutrient Supplement (MMS), deworming tablets, zinc supplements, and various other public health products. Notably, SMC operates the largest ORS manufacturing facility in the country, boasting a substantial market share of approximately 61%.

Moreover, SMC's sanitary napkins have experienced a rapid surge in popularity, solidifying their position as the second most favored brand in Bangladesh. These sanitary napkins are manufactured within SMC's dedicated production facility. Additionally, SMC's Micronutrient Powder (MNP) has demonstrated its effectiveness in combatting iron deficiency anemia among children under the age of five.

In 2014, SMC took a strategic step by establishing SMC Enterprise Ltd (EL), a for-profit subsidiary aimed at segregating profitable operations from non-profit activities. This move was essential for efficiently managing the expanding and intricate operations of the organization. As of now, SMC Enterprise Limited employs approximately 1,700 individuals and maintains

manufacturing plants in Bhaluka (producing pharmaceutical and food items) and Cumilla (specializing in health and hygiene products). Furthermore, the company continued its impressive performance, achieving consistent gross revenue of Tk. 1,212 crore, marking a 15% growth in revenue and a 10% increase in net profit, resulting in a profit after tax of Tk. 118 crore. SMC Enterprise Limited also made a substantial contribution of around Tk. 194 crore to the National Exchequer during the year.

1.1.1 Mission

SMC Enterprise Ltd is driven by a mission to bolster SMC's journey as a thriving social enterprise. It accomplishes this by generating surplus funds through profitable endeavors, which are then allocated for investment in program operations aimed at amplifying social benefits

1.1.2 Vision

SMC's vision is to be a world-class social enterprise recognized for its contribution to the advancement of social marketing thoughts, principles and practices that aim to better the health and wellbeing of women, children, families and the society

1.1.3 Values

Let's focus on some core values of SMC Enterprise Limited

1. SMC Enterprise Limited primary focus lies in our organizational interests.
2. SMC Enterprise Limited uphold an unwavering commitment to both quality and meeting our customers' requirements.
3. Each day, SMC Enterprise Limited push ourselves to excel further and attain greater accomplishments.

4. SMC Enterprise Limited hold dearly our values of integrity, respect and fairness for all

1.2 Background of Study

For MPSM Alumni, the submission of a Practicum or thesis report is a mandatory requirement. The author has chosen to pursue a report/practicum to gain a deeper understanding and practical application of supply chain theory and practice within their own organization. This endeavor also serves to enhance their investigative, analytical, and communication skills, including the utilization of secondary research and, if necessary, primary research.

The author's chosen topic centers on the Procurement and Supply Chain Management System of SMC Enterprise Limited. This descriptive analysis entails a chronological presentation of various events, culminating in the design of a conceptual Supply Chain Management model and framework for SMC Enterprise Limited. This model elucidates the integration of different functions within the SCM department. The report places special emphasis on the newly adopted strategies in supply chain management and the procurement process by SMC Enterprise Limited, aimed at remaining competitive in the rapidly expanding Pharma and FMCG Industry.

1.3 Report Objective

The practicum I completed over the course of three months, under the guidance of my organizational supervisor, was undertaken with a set of primary objectives to achieve specific outcomes. These key practicum objectives include:

1. To gain insight into SMC Enterprise Limited's organizational perspective on the Supply Chain Management process, encompassing planning, procurement, and logistics operations.

2. To find out the the trigger points for which SMC Enterprise Limited is failing to become the market leader for its core potential brands like Diaper, Napkin, Juice Powder Etc.
3. To assess the company's operational efficiency compared to the industry leaders and suggest ways for betterment.
4. To pinpoint the potential contributions of each cross-functional stakeholder.
5. To scrutinize and uncover any deficiencies in the company's supply chain practice that ultimately resulting in lower revenue.
6. To assess the effectiveness of the company's supply chain performance relative to the competitive industry and explore avenues for sustainable growth.
7. To evaluate the procurement procedure of SMC Enterprise Limited and recommendation for improvement accordingly.
8. SWOT analysis and making recommendations accordingly to establish as a leading brand in the country

1.4 Methodology

Since this research had an exploratory nature, the report draws upon both primary and secondary sources of information. Below, I outline the details of these sources:

Primary Resources:

Primary data refers to information collected directly from organizational officials. In this report, I have examined aspects related to procurement and supply chain activities by engaging with key executive and managerial figures such as the Head of SCM, Head of Logistics, Head of Sales and Marketing. Their responses and insights serve as primary data for this study. Additionally, I should note that the author of this report has prior experience working within

the organization as an employee in the supply chain department, which oversees all supply chain activities at SMC Enterprise Limited. Presently, the author is employed in the import section of SMC Enterprise Limited, making them a valuable source of primary data for this report.

Secondary Sources:

The secondary data sources encompassed various documents and references, including the company's annual business review report, marketing report, annual budget, annual report, in-house training materials, company manual, publications, internal meeting minutes, textbooks, and online information, among others.

1.5 Limitations

It is important to stress several limitations of the research method used for this research:

1. Given the constraints of time, resources, and professional commitments, conducting an exhaustive analysis of all aspects of various brand's supply chain activities proved challenging. The author focused on highlighting the procurement and supply chain landscape of the organization as a whole, which contributes significantly to its competitive advantage.
2. The limited availability of comprehensive data from various departments posed a challenge in achieving a more precise output.
3. It's important to note that certain sections of the report may contain sensitive or confidential information deemed as such by the organization. These sections have been modified in accordance with company compliance requirements to ensure data security and confidentiality.

CHAPTER 2

OVERVIEW OF ORGANIZATION

2.1 Company History and Evaluation

Back in 1974, SMC launched a social marketing initiative in Bangladesh with the primary goal of improving the health and welfare of women, children, and families. This objective is achieved by promoting a diverse range of products and services in vital sectors such as family planning, maternal and child health, nutrition, and other areas that bring social benefits. SMC works in close collaboration with the government, development partners, and the private sector to realize its mission. Notably, SMC has sustained a thriving and long-lasting partnership with USAID for the past 48 years, establishing itself as a standout investment in USAID's portfolio.

According to the Bangladesh Demographic and Health Survey (BDHS) 2017, SMC has made significant contributions to increasing the Contraceptive Prevalence Rate (CPR) at the national level, sharing 47% of pills, 62% of condoms, and 33% of injectables. In total, SMC contributed to 38% of the use of modern contraceptive methods nationwide. In the 2021 Contraceptive Social Marketing Statistics released by DKT International, USA, SMC earned the distinction of being ranked as the second-largest contraceptive social marketing organization globally, based on the number of Couples-Years of Protection (CYPs) delivered.

In 2014, SMC established SMC Enterprise Ltd, a for-profit subsidiary, with the purpose of segregating profitable activities from non-profit endeavors in order to efficiently manage its growing and intricate operations. The Pharmaceutical Division of SMC Enterprise Limited embarked on its journey in 2017 with a core objective of ensuring that no one, especially the less privileged, should suffer due to the unavailability of affordable, high-quality medicine. Currently, the Pharma Division offers 36 products in the market.

Over the past several years, the company has consistently achieved sales growth and made substantial progress across profitable brands under three major categories: Female Reproductive Health and Contraceptives (FRH&C), Food Manufacturing Division (FMD), Consumer Products (CP), and General Health and Nutrition (GH&N), including the Pharma business.

2.2 Manufacturing plants

a) ORS-N Bhaluka Factory:

The ORS Manufacturing facility of SMC Enterprise Ltd, situated in Bhaluka, Mymensingh, is a cutting-edge establishment. It boasts ISO 9001:2015 certification and complies with current Good Manufacturing Practices (cGMP) standards. Operating 24/7, this facility is committed to meeting the ever-increasing demand and exceeding revenue targets.

SMC Enterprise Limited has an extensive portfolio of 54 registered Pharma Products, which includes ORSaline-N. Among these offerings, 39 products are manufactured in-house, both at the company's own plant and through toll manufacturing arrangements, in response to the requirements of Pharma Sales and Marketing. Additionally, SMC Enterprise Limited houses a Food Manufacturing Division (FMD) responsible for producing energy drinks such as Taste Me and Bolt. The ORS factory also serves as the production site for MoniMix 1 gm Micronutrient powder, Prazomax 20, Prazomax 40, Esomium 20, and Esomium 40 Capsules.

b) Health & Hygiene Factory:

The Health & Hygiene Factory is also the state-of-the-art ISO 9001:2015 certified and BSTI licensed production facility located at Bauband, Cumilla. Addressing the essential hygiene

needs of the population, this factory has highly sophisticated machine with PLC based full servo control facility to ensure quality of the product.

2.3: Different SKUs

Major SKUs apart from 36 different pharmaceuticals products are stated below-

Category	Name
Oral Saline (Flagship Brand)	ORSaline N
Electrolytic Drink	SMC Plus
Soft Drink Powder/ Liquid saline	Taste Me, SMC Fruity
Glucose Powder	BOLT
Fortified confectionary	Super Kid
Condoms and OCP	Panther, Sensation classic, Xtreme, Femicon etc
Liquid Handwash	Germ Kill
Diaper and Sanitary Napkin	Smile, Joya

2.4 Financial performance

The product wise performance during FY 21-22 period is appended hereunder:

Sl.	Product Category	Product Type	Revenue in FY 2021-22 (in crore BDT)		Target Achieved (%)	Revenue in FY 2020-21 (in crore BDT)	Growth (%)
			Target	Actual		Actual	
1.	Female Reproductive Health and Contraceptives	Oral contraceptive pill	138	130	94%	140	(7%)
2.	Consumer products	Condom, sanitary napkin, baby diaper, instant powder drink	373	390	104%	272	43%
3.	General Health & Nutrition	ORSaline-N & SMC Fruity	613	609	99%	571	7%
Total Sales Revenue (Excluding pharma)			1,124	1,129	100%	983	15%
4.	Pharma Sales	OTC & Therapeutic class	83	83	100%	67	24%
Combined Total			1,207	1,212	100%	1,050	15%

Let's see the product category wise target fulfillment

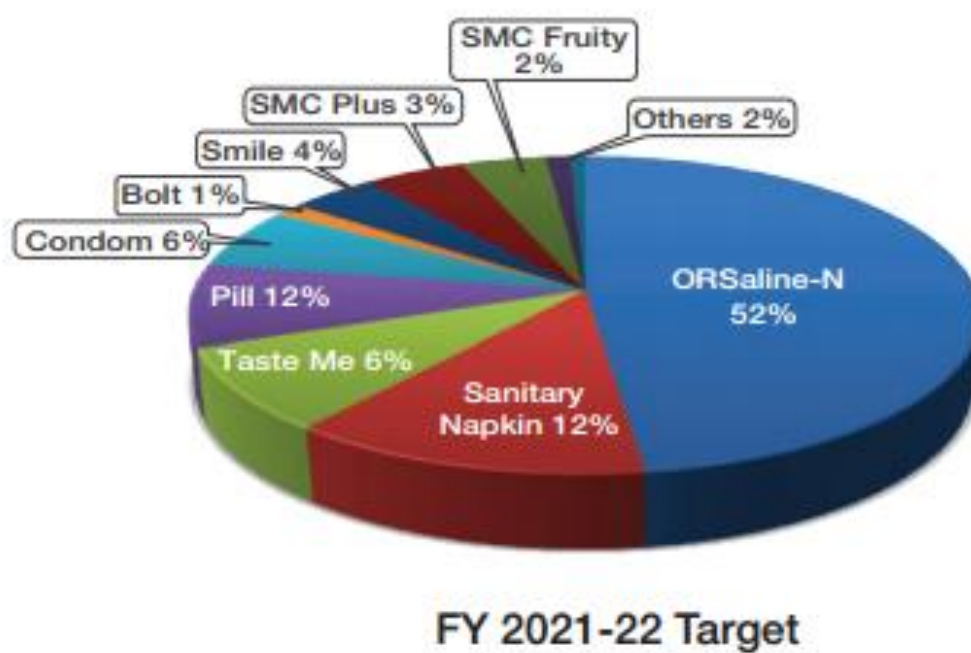


Figure 1: Product Category wise Target Fulfilment

Source -Annual Report 2021-2022, accessed 30.11.2023 <<https://www.smc-bd.org>>

CHAPTER 3

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT OF SMC EL

3.1 Supply Chain Management

3.1.1 Definitions:

The concept of a "supply chain" is well-established in literature and is commonly defined as the alignment of entities involved in bringing products or services to market (Lambert, Stock, and Ellram, 1998). This supply chain encompasses manufacturers, suppliers, transporters, warehouses, wholesalers, retailers, various intermediaries, and even customers themselves. When a product, such as a bottle of Coca Cola, makes its journey from raw materials to the finished product in the consumer goods market, it undergoes a series of transactions within the business-to-business market. For instance, when a final consumer purchases a bottle of Coca Cola, they do not buy it directly from Coca Cola but from an intermediary, such as a hypermarket or neighborhood store. This product traverses multiple transactions within the business-to-business market, following a path that includes Coca-Cola, wholesalers, retailers, and ultimately, the final consumer (Căescu and Dumitru, 2011). This entire process constitutes a supply chain.

According to Chopra and Meindl (2007, p.3), a supply chain comprises all parties directly or indirectly involved in fulfilling a customer's request. Within each organization, such as a manufacturer, the supply chain encompasses all functions responsible for receiving and fulfilling customer requests, including new product development, marketing, operations, distribution, finance, and customer service. Chen and Paulraj (2004) describe a typical supply chain as a network of materials, information, and services processing links with characteristics involving supply, transformation, and demand.

Traditionally, the supply chain is divided into three key stages: procurement, production, and distribution.

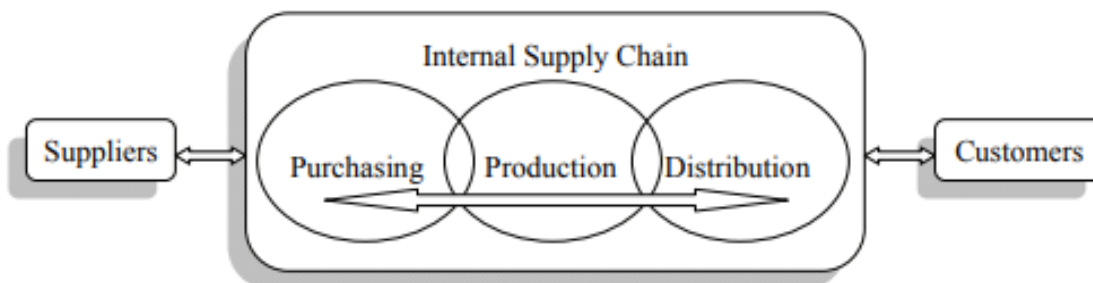


Figure 2: 3 Stages of Supply Chain

Source: Wikipedia 2023, accessed 25.10.2023 <https://en.wikipedia.org/wiki/Supply_chain_management>



Figure 3: 5 Basic Steps of Supply Chain Management

Source: Engati 2021, accessed 25.10.2023 <<https://www.engati.com/glossary/supply-chain-management>>

Effective supply chain management hinges on optimizing the efficiency of both suppliers and manufacturers. It entails streamlining all operational activities to minimize costs, prevent

shortages, and maintain competitiveness. By streamlining the supply-side processes, a business can enhance its capacity to deliver products promptly and without disruptions, ultimately maximizing the value it offers to its customers.

3.1.2: Major Criteria of SCM:

Criteria	Concepts	Definition
1. Management activities	Key Concepts: planning, organizing, implementing, motivating, controlling Derived Concepts: goods, services, efficiency	Supply Chain Management entails efficiently planning, organizing, implementing, motivating, and controlling all activities related to the movement of goods and services, spanning from the initial supplier to the ultimate customer.
2. Logistics activities	Key Concepts: transportation, processing, storage Derived Concepts: raw materials, work-in-process inventory, finished goods	SCM encompasses the transportation, processing, and storage of raw materials, work-in-progress inventory, and finished goods, tracing their journey from the initial extraction stage to their ultimate destination with the final customer.
3. Objectives	Key Concepts: value, customer requirements, trust, competitive advantage, relationships Derived Concepts: sustainable, long term	Supply Chain Management comprises a range of value-added processes aimed at meeting customer demands, fostering enduring relationships, cultivating trust among supply chain collaborators, and ultimately attaining a sustainable competitive advantage.

4. Components	Key Concepts: suppliers, manufacturers, warehouses, stores Derived Concepts: products, services	SCM involves suppliers, manufacturers, warehouses, stores, and intermediaries, facilitating the movement of products and services from origin to consumption.
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Organization can make available a commitment to its customers through SCM to coordinate order generation, order taking and order fulfillment with appropriate quality and quantity at a right time.

3.1.3 Supply Chain Management of SMC Enterprise Limited

In SMC Enterprise Limited, the entire supply chain operation, spanning from raw material collection to manufacturing, machinery and spare parts procurement, delivery of finished goods to the central warehouse, and distribution logistics, is managed by the SCM team. The Supply Chain's objective is to acquire commodities at competitive prices while maintaining quality through transparent and fair competition practices outlined in the Procurement Manual.

The Demand Planning and Inventory Management (DPIM) team within the SCM continually monitors inventory status and ensures the timely supply of products to meet the Company's specific goals for a given period. This division also serves as a bridge between production and finance, ensuring the right products are available at the right time while considering fund costs. The motto is to uphold the 5R principles and align with sales and production forecasts, establishing a prominent presence in the market.

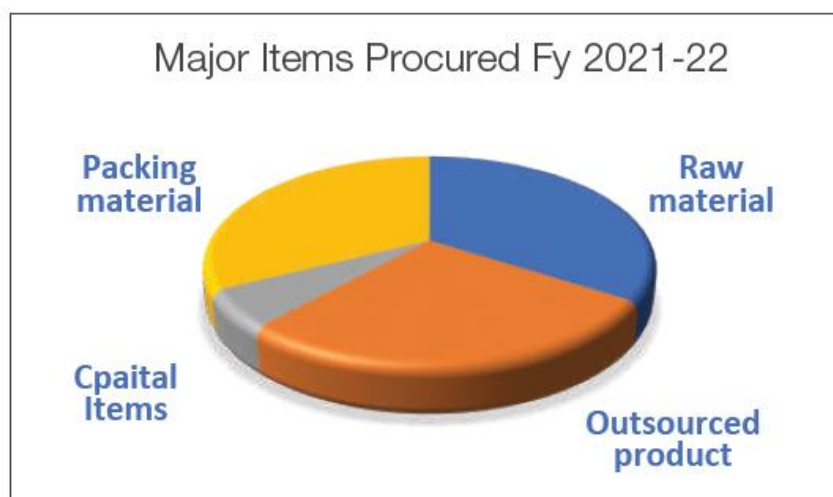


Figure 4: Major items Procured

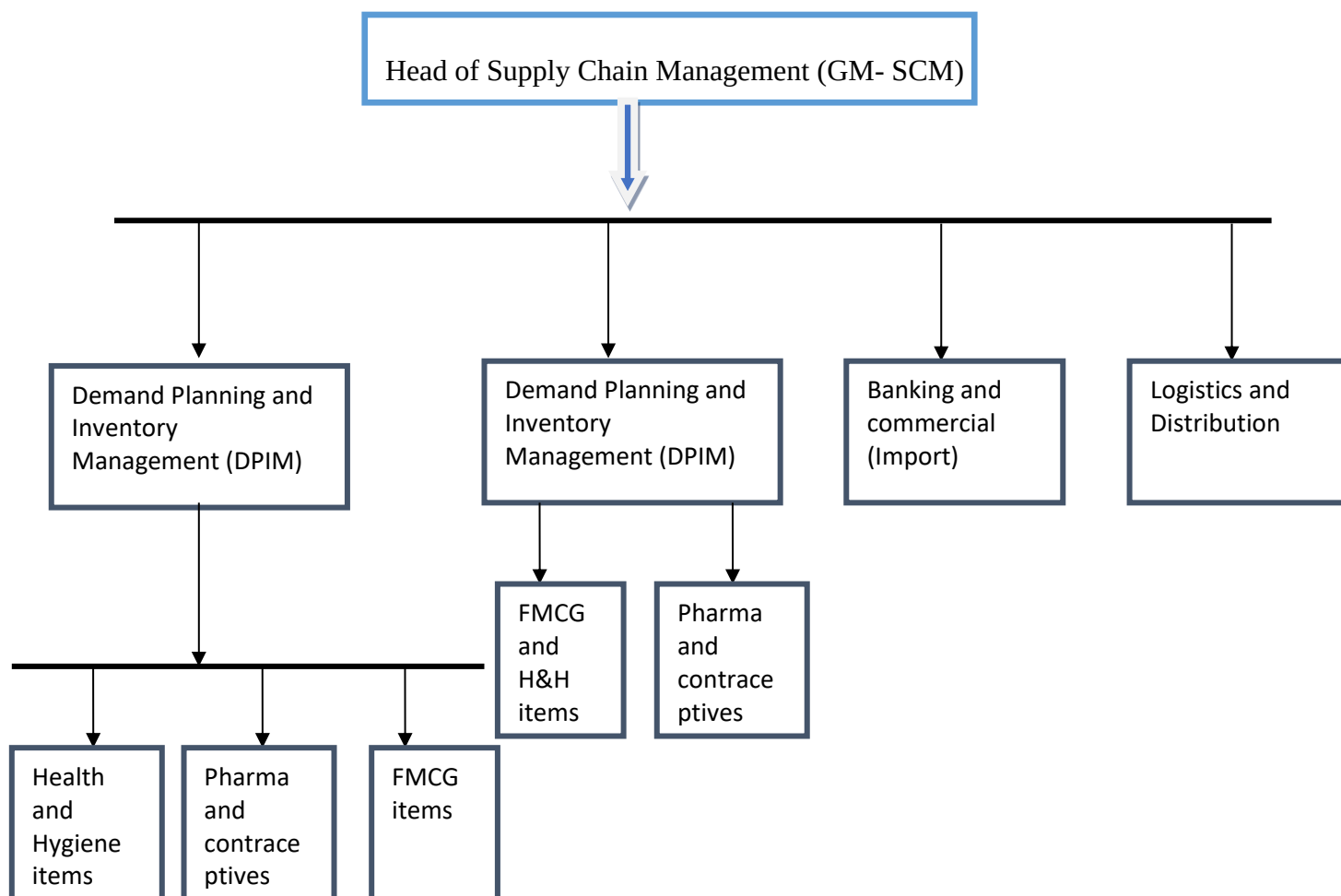
Source -Annual Report 2021-2022, accessed 30.11.2023 <<https://www.smc-bd.org>>

3.1.4 SCM Network Flow

SMC's supply chain management encompasses all functions dedicated to guaranteeing the timely delivery and extensive availability of its products right down to the retail outlet level. This involves procuring finished products and raw materials from both local and international sources for products produced in-house, warehousing, logistics, and supplying to the 12 SMC Area Sales offices. Finally, the products are distributed to retail and wholesale pharmacies, groceries, NGOs, and other channels.

The Supply Chain Management team at SMC Enterprise Ltd collaboratively strives to ensure punctual supply to meet marketing and sales demands and to ensure broad product availability at the retail outlet level. Presently, the SCM division operates through five distinct teams: 1) Demand Planning and Inventory Management, 2) Procurement - Pharma, 3) Procurement - FMCG, 4) Commercial, and 5) Logistics and Distribution.

There are mainly 4 different departments under SCM team as shown below with individual functions-



Position	Number of Management Staff
GM	1
Head, Logistics & Distribution	1
Sr. Manager/Manager	5
Asst. Manager	2
Sr. Executive/Executive	11
Sr. Officer	12
Officer	3
Total Management Staff	35

Figure 5: Organogram of Supply Chain Management Team in SMC Enterprise Limited

Source: SMC BD, accessed 25.10.2023, <<https://www.smc-bd.org>>

3.1.5 Departmental Matrix

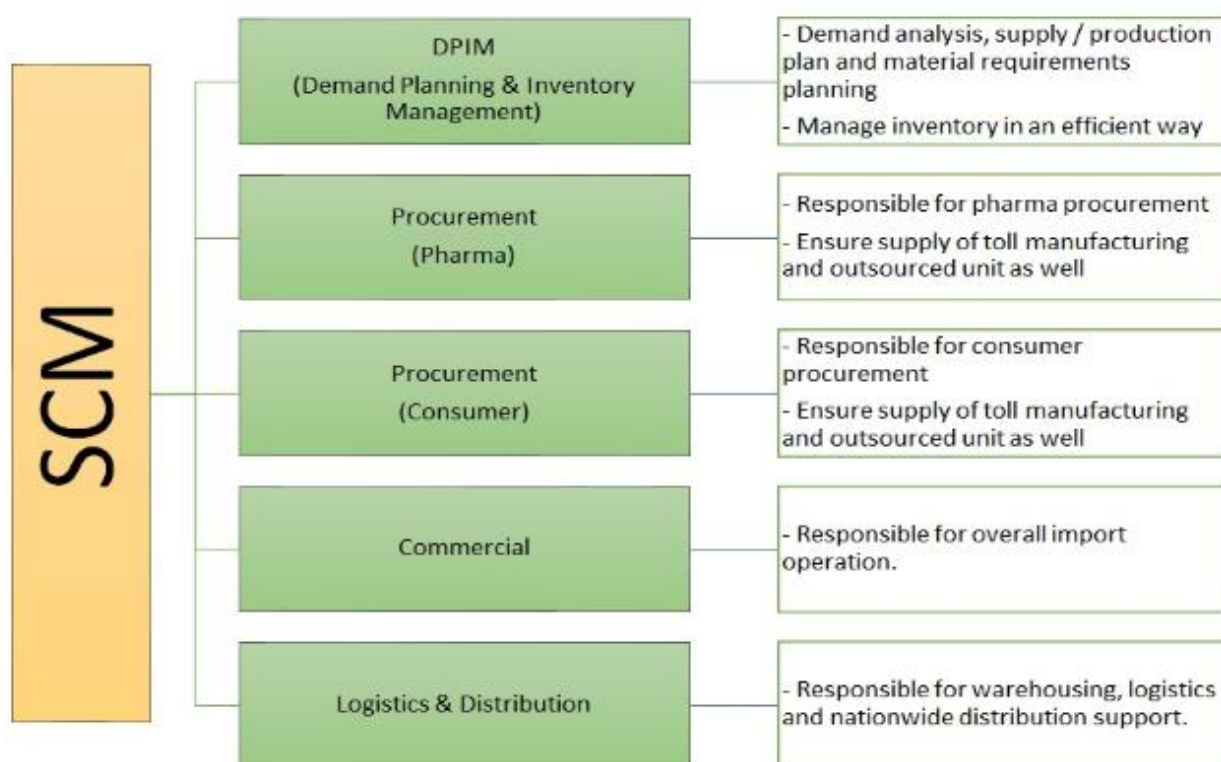


Figure 6: Departmental Matrix

Source -Annual Report 2021-2022, accessed 30.11.2023 <<https://www.smc-bd.org>>

3.1.6 SCM Framework

SCM plays a pivotal role as a catalyst, harmonizing the demand-supply dynamics of goods while orchestrating activities among sales, marketing, production, outsourced/toll partners, and suppliers to achieve the company's overall revenue objectives. SCM encompasses the procurement of finished products and raw/packaging materials, sourced both locally and internationally, for in-house production and toll manufacturing purposes.

Additionally, SCM manages extensive warehousing operations, encompassing approximately four lakh square feet across 24 different locations. It oversees logistics and the distribution of goods to the 24 Area Sales offices (12 for FMCG and 12 for Pharma) and ultimately to retail and wholesale pharmacies, groceries, NGOs, and other distribution channels.

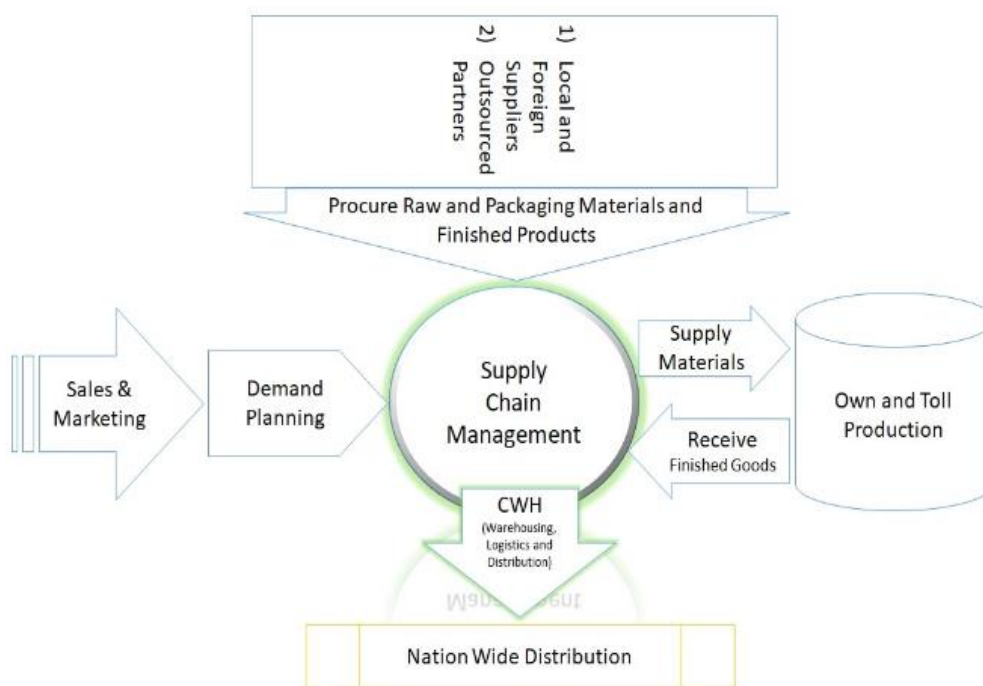


Figure 7. The Supply Chain Framework

Source: SMC BD newsletter, accessed 25.10.2023 <<https://www.smc-bd.org/enewsletter>>

3.1.7 SCM Process Flow

The supply chain process commences at the onset of the fiscal year, with the establishment of a consolidated procurement budget in collaboration with the finance, sales, production, and marketing teams. Based on production forecasts, the respective departments periodically submit requisitions for raw materials, capital machinery, spare parts, consumables, stationery, and other necessary items. The planning team determines the required quantities and delivery schedules, whether through foreign or local purchases. This information is then relayed to the procurement team, which assesses the requisitions, initiates tender processes, engages in negotiations, and selects the most suitable supplier, subsequently awarding the contract.

For foreign items, the import team manages shipping and banking procedures to ensure the final delivery of the product to the factory. Subsequently, a landed cost analysis is conducted to assess the ultimate cost impact of the product.

3.2 Procurement Procedure

3.2.1 Raise of Indent

First of all, Indent/Requisition will be raised from concerned department in the following manners:

- Non-inventory: concerned Division/Department
- Inventory items: SCM department [Demand Planning and Inventory management] based on inventory level.

3.2.2 Purchase Request

Once a need for goods and services has been established, the originating Head of the Department would send a request to the Procurement Department through their Divisional Head to procure those goods, works and services. The Finance department should sign the Procurement requisition form. Then the form will be forwarded to the Procurement Department for processing

3.2.3 Source of Supply

Each purchase evaluation shall take measures for competitive review which includes, but is not limited to, the following:

- Costs of goods, works, or services
- Availability of goods, works, or services
- Quality
- Reputation and performance history of the vendor,

- Brand name and similar specifications as required

The company will comply with all relevant policies of the development partners in the case of procurement utilizing the resources/ funds of the partners.

3.2.4 Validation of Vendors

Suppliers/Vendors who have relevant experience and performance as assessed by testimonials, quality inspection, reasonable physical facility, adequate manpower, technical support, and financial soundness will be recommended for validation. For the selection of any vendor, preference would be given to the ISO-certified vendors, if applicable.

3.2.5 Purchase/Work Order Proposal

Using the information provided in the quotations, a Purchase/ Work Order, proposal is initiated by the Procurement Head. During the review process, the initial request or the indent is compared with the items being procured, the competitive quotations are compared against one another, and the comprehensive documents are checked for accuracy. Geographical procurement restrictions and restricted items are also considered while making a foreign purchase in the case of USAID-funded procurements.

The Purchase order (PO), Work Order (WO), and Task Order (TO) will be issued in the prescribed forms.

3.2.6 Functions of Supply Chain Management

SCM is involved in all functions related to sourcing raw materials, packaging materials, finished goods, promotional materials, works and services etc. within SMC Enterprise Limited, all functions related to demand planning, inventory, logistics, transportation, warehousing, and distribution up to sales office levels, as applicable. SCM should follow all relevant rules and regulations of the land as well as comply with the procurement policy of SMC Enterprise

Limited. Wherever necessary, a legal opinion may be solicited before the finalization of the relevant agreement.

SCM division is responsible for the following:

- i. initiating and maintaining formal and professional relationships with all current and potential vendors.
- ii. making final delivery schedule with Procurement Committee and other departments.
- iii. developing a wide range of sources to provide sufficient competitive bids of similar quality and cost.
- iv. compiling the data, checking market availability, lead time, and market cost after completing the forecast plan.
- v. preparing demand planning and inventory requirement.
- vi. Send RFQs to all enlisted agencies.
- vii. in relevant cases, receive a technical proposal and a financial proposal and circulate the technical proposal to Technical Evaluation Committee.
- viii. arranging for the signing of the Purchase order/Task order/Agreement.
- ix. follow-up and ensure the timely delivery of goods/commodities/services according to Purchase Order and/or Task Order.
- x. Recommend the bill of vendors for payment by the Finance and Accounts Division.

3.2.7 Procurement Committee Organogram

The Procurement Committee consists of individuals in the following positions:

- DMD, Operations (Convener)
- Concerned Chief of Division, and Head/Manager -Indenting Department
- GM of Supply Chain Management (Member Secretary)
- CFO of Finance and Accounts Division
- Concerned dealing Manager/Officer, SCM Department

Here is a complete diagram of the procurement procedure of SMC Enterprise Limited

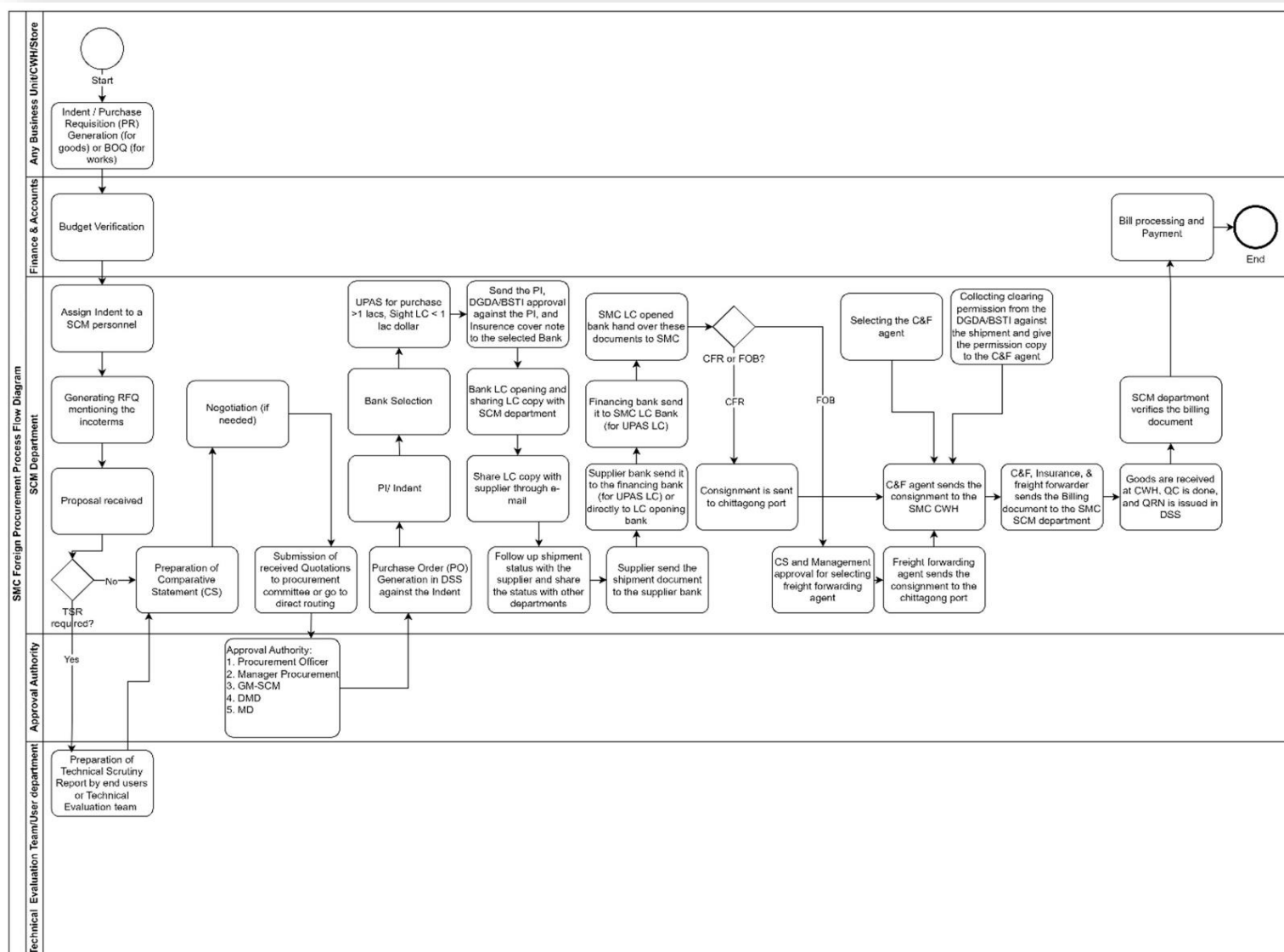


Figure 8: Procurement Procedure Flow Diagram

3.2.8 Methods of Procurement

Let's see some of the Procurement types

1. Direct Procurement Method (DPM)
 - Proprietary items
 - Cash purchase
2. Spot Quotation Method (SQM)
3. Limited Tender Method (LTM)
4. Quotation Method (QM)
5. Open tender Method (OTM)
6. Emergency Procurement Method (EPM)
7. Two Envelope Method
8. Quality and Cost-Based Selection Method (QCBS)

For Consultancy services, the following method is applicable:

- a. Quality and Cost based Selection Method (QCBS)

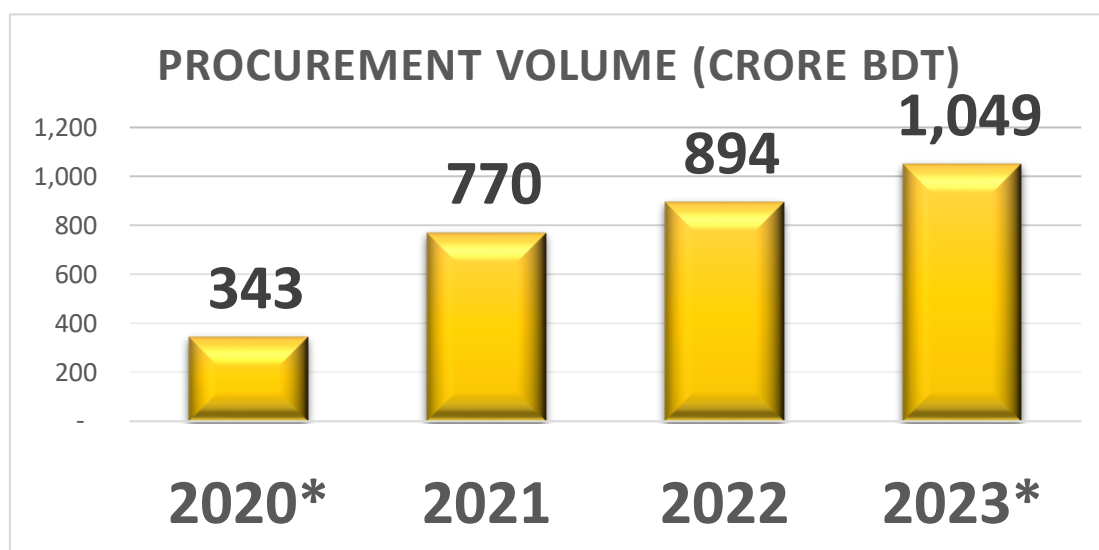


Figure 9: Total Procurement Volume in FY 22-23

Source -Annual Report 2021-2022, accessed 30.11.2023 <<https://www.smc-bd.org>>

3.3 Different Procurement and Supply Chain Strategies

Let us discuss some of the distinctive procurement and supply chain strategies taken by SMC Enterprise Limited time to time to have the best outcome-

Outsourcing:

SMC Enterprise Ltd embarked on its venture in 2014, aiming to penetrate the competitive market for pharmaceutical and food-grade products. To establish a strong foothold, SMC Enterprise Limited strategically entered into outsourcing agreements for certain products with well-established industry giants. In a bid to sustain sales growth, the company expanded its production capacity by engaging in contract/toll manufacturing while diligently preserving a profitable and robust equilibrium between in-house and contract manufacturing. Notably, core competencies such as formulation, raw materials, and confidential activities remained in-house and were not outsourced.

Let us show example of outsourcing-

Contract Manufacturing: ORS and SMC Zinc Dispersible Tablet

SMC Enterprise Ltd maintained its practice of contract manufacturing for its core products like ORS and pills, alongside its in-house production, in order to meet the consistently growing demand. In the fiscal year 2021-22, SMC Enterprise Limited procured approximately 32.52 crore sachets of ORSaline-N from Renata Limited, Popular Pharmaceuticals Ltd, Essential Drugs Company Ltd, and The ACME Laboratories. Additionally, in the last fiscal year, SMC Enterprise Limited acquired 1.05 million Zinc Dispersible Tablets from The ACME Laboratories Ltd.

Regarding Pharma Products via Toll Manufacturing, SMC Enterprise Limited has been actively producing 34 pharmaceutical products in various dosages in collaboration with

Nenuphar Bangladesh. Furthermore, SMC Enterprise Limited is currently in the process of expanding its product portfolio by manufacturing additional products through partnerships with Naafco Pharma and Popular Pharmaceuticals, further strengthening its product lineup.

Business Strategies:

The major highlights of the strategies of the Company are:

- Double the business within next four to five years.
- Expansion of the production capacity of various production or requirements.
- Explore the new markets such as biscuits etc.
- Relaunch of ORSaline-N and Increase the production capacity of ORSaline-N and Taste Me.
- Strengthen automation and integration of business process by acquiring and implementing Enterprise Resource Planning (ERP) - SAP.
- Establish a Pharmaceutical Manufacturing Facility either by acquiring a pharma factory by setting up a new factory based on a proper feasibility study in due time.

Krajlic Procurement Matrix Implementation

<u>Leverage Items:</u>	<u>Strategic Items</u>
Packaging items like shipping carton, dispenser box etc as there are abundant supply and chance for exploitation of purchasing power	Core Strategic items like ORS foil, Fluff pulp for Health and Hygiene products. Natural scarcity is there so long-term relationship is required

<u>Non-Critical items:</u>	<u>Bottleneck items:</u>
Stationary and regular IT products with abundant supply, main focus on product standardization and efficiency	Production raw materials like Glue, chemical materials as low control on supplier and scarcity occurs based on consumption

Cost Savings Projects

In the fiscal year 2022-2023, the Supply Chain Management division initiated 21 cost-saving projects. The majority of these projects are currently in various stages of implementation with the objective of achieving substantial cost reductions. The primary sources of savings are expected to arise from initiatives such as reducing the aluminum thickness of the ORS foil from 9 microns to 7 microns, altering shipment methods, eliminating insert and brochure materials, and implementing U-pass L/C, among others.

3.4 The Distribution and Logistics Network

SMC EL boasts an extensive sales and distribution network that spans the entire country, effectively reaching 157,834 pharmacies and 558,330 non-pharmacy outlets. Throughout the reporting year, a substantial number of promotional initiatives were executed with the aim of generating demand and introducing new products through service providers. These efforts encompassed various activities, including small interactive events such as group detailing sessions with Rural Medical Practitioners (RMP), Palli Chikitschoks (PC), and other community-level health providers, focusing on health-related topics.

Let's show the overall sales distribution network of SMC EL with a flow diagram

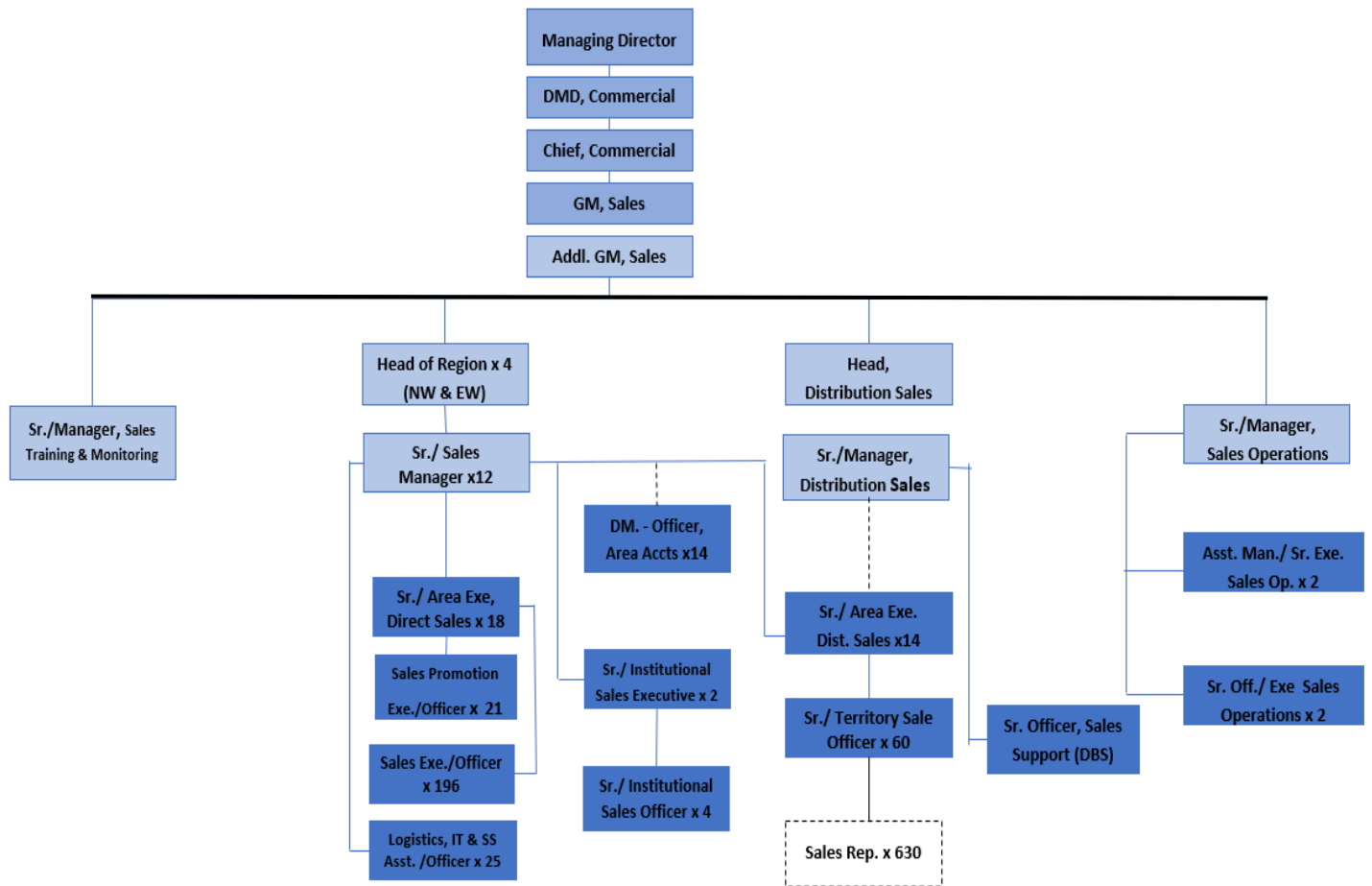


Figure 10: Sales Distribution Network

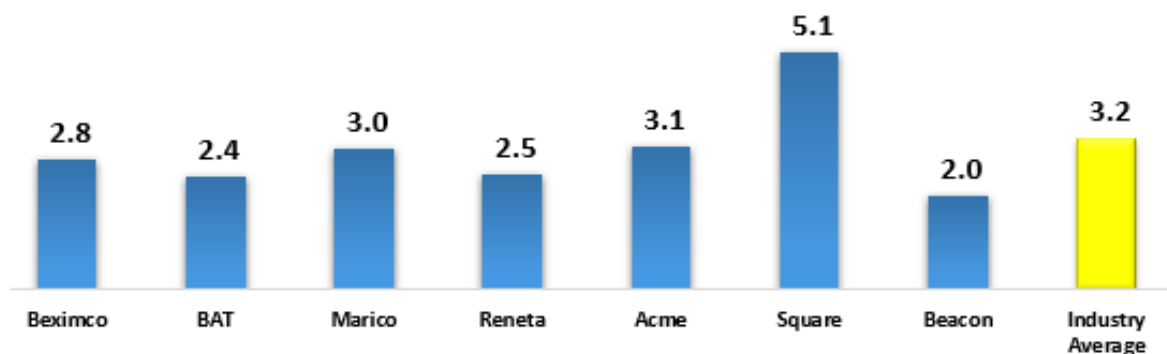
CHAPTER 4

OBSERVATION & RECOMMENDATION

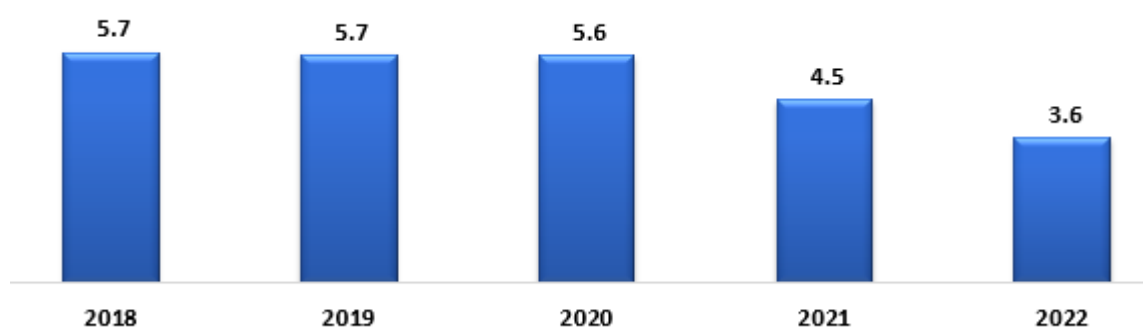
4.1 Observation

During my approximately one-year tenure in SMC Enterprise Limited's supply chain department, I have identified several areas that warrant attention and improvement. Below are the issues I have observed along with my suggestions for enhancement:

1. Despite SMC Enterprise Limited's expansion, including the establishment of a new plant in Bhabanipur Bhaluka, the reliance on **third-party logistics for inventory management persists**. This has led to consistent space constraints due to a high influx of incoming materials through pipelines, resulting in increased port demurrage fees, potential material damage, and excessive overstock of finished goods. **Almost 1 MLN BDT was incurred as additional port and shipping demurrage** in the last fiscal year due to warehouse space constraints.
2. E-tender based procurement processes can create difficulties for both local and globally renowned suppliers. Regular **E-tender take almost 3/4 working days** to complete and reward the nominated supplier, it is very troublesome to hold the price for the commodities that fluctuate on daily basis.
3. The inventory turnover ratio is declining for SMC Enterprise Limited in the last few years, more competition in the market, misalignment of Planning and sales forecast, uprising inflation, rising cost of imported products are the key reasons behind this. Let see a competitive analysis-



Inventory Turnover Ratio (Industry)



Inventory Turnover Ratio (SMC EL)

Figure 11: Inventory Turnover Ratio

Source -Annual Report 2021-2022, accessed 30.11.2023

< [https://www.smc-bd.org/upload_images/Annual_Report_\(2021-22\)_compressed_1.pdf](https://www.smc-bd.org/upload_images/Annual_Report_(2021-22)_compressed_1.pdf) >

4. SMC Enterprise Limited has yet to implement an ERP system for maintaining its internal database. Consequently, real-time updates on inventory, costing, imports, and other relevant information are often unavailable.
5. Given SMC Enterprise Limited's significant reliance on toll manufacturing for many of its products, **any inefficiency or failure in its outsourced partner's production/pipeline can result in supply chain disruptions for SMC Enterprise Limited's proprietary products**, occasionally leading to missed market opportunities. **Almost 50% of its total SKUs are still dependent on toll manufacturing**

Product Name	Own Production	Outsourcing	Toll Manufacturing	Repackaging
ORS-N	70% of total products are manufactured at Bhaluka factory	30% of total production by Renata, Popular, EDCL, and ACME	-	-
Taste me (25g, 200g)	Bhaluka Factory	-	-	-
Taste me (1000g)	-	-	By ACME	-
Bolt (25g, 200g, & 4000g)	Bhaluka Factory	-	-	-
SMC Fruity	Bhaluka Factory	-	Care Nutrition Limited	-
Monimix	Bhaluka Factory	-	-	-
Pharma product	Bhaluka Factory (capsule)	-	Jenphar, NAFCO, & Popular	-
Pill	-	Renata, Popular, Nuvista, Beximco produce the SFG	-	Repackaging is performed by Nuha, RRE, UTPS, & CWH
Condom	-	Imports from Malaysia, Vietnam, Korea, China, India, & Japan. They procure Hero from Bangladesh.	-	Repackaging is performed by Nuha, RRE, UTPS, & CWH
Products from H&H factory (Sanitary napkine, Baby Diaper, & Baby wipes)	Comilla factory	-	-	-
Trading Products (SMC Plus, Germ Kill, SMC Honey, Petroleum Jelly, & Super Kit)	-	We procure SMC Plus from ACME, Germ Kill & Petroleum Jelly from AANT, SMC Honey from Khaas food, Super kit from Care Nutrition	-	-

6. SMC Enterprise Limited faces challenges when attempting to diversify its supplier base for some of its core raw materials and packaging components. This leaves it vulnerable to exploitation by suppliers. For H&H industry, more than **200 MLN BDT equivalent materials** are purchased from a sole foreign supplier. The absence of a viable BATNA (Best Alternative to a Negotiated Agreement) means that interruptions in shipments or quality failures can disrupt the supply chain.
7. Service level agreements (SLA) with suppliers are not consistently upheld, often due to indirect biases or shifting priorities.
8. Supplier appraisal is not conducted regularly, limiting the potential for enlisting new vendors.

9. SMC Enterprise Limited has at times introduced new products to the market without adequate market viability assessment, resulting in the eventual discontinuation of products like SMC drinking water and SMC Germ Kill Handwash.
10. SMC Enterprise Limited heavily relies on SMC oral saline for a significant portion of its revenue (**more than 65% of its total revenue**). This lack of diversification in its product range poses a risk to achieving revenue targets and potentially missing opportunities in new product categories.

4.2 SWOT Analysis of SMC Enterprise Limited

A SWOT (strengths, weaknesses, opportunities, and threats) analysis is a robust framework employed for assessing a company's competitive standing and crafting strategic plans. It offers a comprehensive evaluation of both internal and external factors, while also considering present and future opportunities and threats.

This analytical tool is meticulously structured to encourage a pragmatic, evidence-backed examination of an organization's strengths and weaknesses, whether within its own initiatives or across its industry. To ensure the analysis's precision, it's imperative to steer clear of preconceived notions or ambiguous areas and instead concentrate on the practical aspects of real-world situations. Companies should employ it as a valuable compass, avoiding the temptation to view it as a rigid prescription.



Figure 12: SWOT Analysis

Source: Wikipedia 2023, accessed 25.10.2023 <https://en.wikipedia.org/wiki/SWOT_analysis>

Let's frame the SWOT analysis of SMC Enterprise Limited based on my perspective-

Strengths-

1. Thanks to its enduring commitment to product quality, SMC Enterprise Limited boasts a strong brand reputation and a loyal customer base. This steadfast quality has made it challenging for competing brands to displace SMC EL's existing products.
2. SMC Enterprise Limited adheres to a mission of enhancing people's lives, health, and nutrition within an affordable range, which is why it maintains a tight profit margin across its entire product line.

3. SMC Enterprise Limited prioritizes compliance and fosters an employee-centric environment. The company keeps its workforce motivated, encouraging them to go above and beyond, contributing more than 100% to the company's well-being.
4. SMC Enterprise Limited actively engages in various programs related to women's and children's health. The company sponsors and provides training to mothers for healthy motherhood. These social initiatives significantly bolster the company's reputation among the broader population.

Weakness-

1. SMC Enterprise Limited still dependent on Oral saline for majority portion of its revenue which is very risky considering the sustainable growth of the company.
2. SMC Enterprise Limited heavily relies on outsourcing for certain core products, a strategy that can occasionally affect its competitive position in the market. There are instances when the supply chain experiences disruptions, providing an opportunity for competitors to introduce their newly launched products and potentially displace SMC EL's existing SKUs
3. SMC Enterprise Limited follows a lengthy process of tendering which suppliers are not pleased with in some cases. As a result, some potential suppliers are now converting their bulk orders to alternate competitors which is very alarming for SMC EL

Opportunity-

1. The FMCG industry in Bangladesh is vast and still offers numerous unexplored opportunities. With its established brand value, SMC Enterprise Limited is poised to tap into these opportunities as it enters this industry.
2. SMC Enterprise Limited has embarked on an agile production approach, aligning its manufacturing with market demand. By actively seeking feedback from end customers,

SMC EL can leverage this adaptability to consistently deliver high-quality products to the market.

3. SMC Enterprise Limited has the chance to investigate local sources for its primary imported products. While the pricing may differ, the ongoing currency challenges necessitate a deeper exploration of local market sources for these essential products

Threats-

1. The market, particularly for FMCG items, has become highly competitive. Economies of scale favoring large conglomerates are placing SMC EL at a disadvantage when it comes to introducing new products.
2. The ongoing challenges related to the dollar crisis and economic instability have created significant obstacles for the industry in terms of importing raw materials and packaging supplies. SMC EL's reliance on foreign sources for its core products increases the risk of disruptions in the supply chain.
3. SMC Enterprise Limited is encountering challenges within the pharmaceutical industry, primarily due to well-established major players offering a more diverse range of products. The competitive pricing strategies employed by rivals may pose obstacles for the success of SMC EL's pharmaceutical division in the market.

4.3 Recommendation

Here are the suggested improvements for the identified issues:

1. To tackle the ongoing and forthcoming challenges related to incoming material storage, **SMC Enterprise Limited should prioritize the acquisition of new warehouses dedicated to storing various items in its portfolio.** While this may entail an initial investment, it is poised to yield long-term cost savings by mitigating additional charges such as port and shipping demurrage fees.
2. When it comes to E-tenders for engineering items, numerous well-established vendors frequently exhibit disinterest due to the intricate nature of the tendering process. **SMC Enterprise Limited can implement measures to enhance user-friendliness and explore alternative approaches, such as adopting an open tender method, soliciting quotations via email, and allowing for hard copy quotation submissions,** all aimed at encouraging more meaningful vendor participation.
3. SMC Enterprise Limited is currently in the process of implementing SAP as an integrated ERP system across all functional levels. To ensure a smooth transition and proper system reflection when it goes live, it is crucial to synchronize all cross-functional teams and align them with the implementation process.
4. To reduce the risk of supplier exploitation for critical strategic items, SMC Enterprise Limited should actively seek alternative sources. Exploring alternate sourcing options through physical visits, offering specification flexibility while upholding quality standards with alternate vendors, and conducting comprehensive research on industry competitors can help mitigate such risks.

5. SMC EL should develop a separate R&D team to research the potentiality of new product segments as well as add new dynamics to its existing products. For example, as Taste ME (Juice powder) is one of its renowned brands, they can do small sachets and prepare supply plan to the local shops and juice bars.
6. While SMC Enterprise Limited is actively pursuing product diversification with initiatives like introducing SMC Biscuits, **the company should consider expanding its presence in the FMCG sector by introducing a broader range of innovative products beyond the ORS/Juice category.** In this dynamic market, adaptability is imperative for long-term survival.
7. SMC Enterprise Limited should adopt a more assertive approach in marketing and distribution channels to make its recently launched products more familiar to rural and remote consumers. To compete effectively with market leaders like Pran, ACI Limited, and Square Toiletries, this becomes imperative.
8. Given the challenges in conducting imports through the banking channel due to the ongoing dollar crisis and global economic instability, **SMC Enterprise Limited should closely monitor the supply chain strategies of its competitors to learn how they are managing to sustain an uninterrupted supply chain.**
9. In the realm of toll manufacturing, SMC Enterprise Limited should draft contracts with greater precision and impose penalties on partners in the event of supply disruptions as forecasted or for any lapses in quality. Such incidents can directly impact the reputation of SMC Enterprise Limited.

4.4 Conclusion

In conclusion, SMC Enterprise Limited's primary mission is to promote the well-being of humanity, with a particular focus on women and children. Despite competing with industry giants, they remain committed to affordability. Their ambitious goal for the fiscal year 2023-24 is to achieve a revenue of 2,000 crore BDT.

The SMC EL Supply Chain Management team has implemented various strategies to optimize operations, reduce costs, enhance process efficiency, and ultimately provide value for the company's investments. This report has provided a comprehensive overview of the company's procurement and supply chain landscape, highlighting the alignment of SCM with other cross-functional departments to reach the ultimate goal.

Based on practical experience and considering the actions of competitors, the report has offered findings and recommendations. Its intention has been to present SMC Enterprise Limited's current position and future prospects, grounded in collected data and the significant impact of Supply Chain Management in fulfilling the company's vision of advancing human well-being and elevating its reputation.

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