

# **Internship Report on Supply Chain of Nestlé Bangladesh**

**Survey on KPI  
Of  
Nestlé Bangladesh**



**Submitted by:**

**Nadia Rahman**

**ID: 12104148**

**Department: BRAC Business School (BBS)**

**Submitted to:**

**Md. Tamzidul Islam**

**Assistant Professor & Internship Coordinator**

**BRAC Business School**

**Date of submission: 05/01/2017**

## **Letter of Transmittal**

January 5, 2017

Md. Tamzidul Islam  
Assistant Professor & Internship Coordinator  
BRAC Business School

Subject: Submission of Internship Report on Nestlé Bangladesh

Dear Sir,

As per the requirement of the esteemed course Bus 400, I have successfully completed my Internship tenure in Nestlé Bangladesh. As to this, I crafted my Internship report regarding view of suppliers on KPI measurement of Nestlé.

It was an extremely interesting and challenging journey to experience and view the phases of practical work practices that are conducted in such multinational organizations. A handful of real-world illustrations aided me to enrich my competencies and experiences. It is really a great honour of your co-operations and collaborations that actually helped me extensively throughout my entire write up. I am certainly very thankful for all your support and inspiration without which it was not at all possible for me to proceed.

Lastly, I will be really gratified once again if you can kindly share your judicious advice of my exertion.

Sincerely yours,

Nadia Rahman

ID: 12104148

BRAC Business School (BBS)

## **Acknowledgement**

For the successful completion of this report, I am really very thankful to all the individuals who helped me thoroughly in prescribing their esteem knowledge. Firstly I express my warm gratitude to my advisor Mr. Tamzidul Islam who co-operated me immensely in every phase of my Internship tenure. He supported me to work with greater flexibility and provided enough relaxing atmosphere to complete the report.

In addition I am really very grateful to Nestlé S&IM (Service & Indirect Material) team of Supply Chain for their endless co-operation and help. Each individual shared their pool of knowledge to provide enough enriched write up for my Internship Report. Furthermore I am obliged to my line manager Ms. Nazia Sultana who for her continual collaboration, assistance and guidance that led me to have a very insightful write-up. This report is not only for the purpose of my Internship completion rather it will also be used to present to the authority of Nestlé Bangladesh which, I believe, will bring about enough significant value in the relevant field. I am really gratified to all the individuals – my team, co-workers, colleagues, friends, teachers and especially my line manager and advisor who infinite support dragged me to present an excellent intuitive report.

## Table of Contents

1	Overview of Nestlé	8
1.1	About Nestlé global:	9
1.2	Globally recognized Brands of Nestlé:	9
1.3	Nestlé’s history and its evolution:	11
1.4	Celebration of 150 years:	3
1.5	Nestlé Bangladesh (NBL):	4
1.6	Product Range of Nestlé Bangladesh:	5
2	Nestlé Supply Chain	6
2.1	About Supply chain:	7
2.2	Primary objective of Supply Chain:	2
2.3	About Nestlé Supply Chain:	2
2.4	Organogram for Nestlé Bangladesh Supply Chain Function:	3
2.5	Demand & Supply Planning (D&SP):	4
2.6	Customer Service & Distribution (CS&D):	5
2.7	Procurement:	6
2.7.1	Raw Material:	6
2.7.2	Packaging Material:	6
2.7.3	Service & Indirect Material (S&IM):	7
2.7.4	Inbound Logistics:	11
3	Key Responsibilities	13
3.1	Roles, duties and responsibilities:	14
3.2	Preparing & Circulating RFQ:	14
3.3	Enlisting new vendors:	15
3.4	Comparative Statement (CS):	16
3.5	Organizing Documentation:	17
3.6	PO handover and ensuring delivery:	18
3.7	Projects assigned:	19
3.7.1	Measuring Key Performance Indicator (KPI) of suppliers:	19
3.7.2	Recent KPI Measurements:	20
4	Project Part	22
	Survey on Key Performance Indicator (KPI)	22

4.1	Introduction .....	23
4.2	Problem Statement .....	25
4.3	Purpose of the research .....	25
4.4	Timeline .....	25
4.5	Limitations .....	26
4.6	Methodology .....	26
4.7	Findings.....	27
4.7.1	Findings from – “Questionnaire for Existing Vendors” .....	27
4.7.2	Findings from “Questionnaire for New Vendors” .....	32
4.7.3	Further analysis for the open ended questions:.....	36
4.8	Recommendation.....	39
4.9	Conclusion.....	40
5	Achievement.....	41
5.1	Business Partners’ Meet 2016.....	42
6	Supplementary Part.....	43
6.1	Appendix .....	44
6.1.1	Questionnaire for Existing Vendor: .....	44
6.1.2	Questionnaire for New Vendor:.....	46
6.2	Bibliography.....	48

## **Executive Summary**

Nestlé is one of the leading Nutrition, Health and Wellness Company that strives to best serve its customers with best quality products consistently. Thus, its story of excellence is not confined to the selling of products solely rather it also concentrates in ensuring continuous brilliance for its every group of stakeholders. Being a part of Nestlé S.A, Nestlé Bangladesh also shares the similar vision of continuous excellence and growing together concept. It focuses not only to nourish its employees, distributors, retailers and other stakeholders but also to nurture its respective vendors' businesses also.

Accordingly, it designs its internal structure in a more organized and systemized manner so that the internal stakeholders can contribute with considerable efficiency. The internal organizational culture creates an open platform where every member are allowed to exhibit their extraordinary views and opinions that ultimately help Nestlé Bangladesh to be competitive at all of its operational phases. Thus the description of the internal department, mainly Supply Chain, gives a well-defined picture through this report that explains the process and also showcases the inner relation and operational procedure.

A survey was conducted on Key Performance Indicator (KPI) with the view of observing the vision vendors have regarding this. The ultimate objective of the survey is to get an idea regarding KPI from different dimension. Thus, two groups were studied where one group already participates in KPI measurement process while with the other KPI will be initiated soon. Accordingly, two different sets of questionnaires were prepared as the scenario is reverse for both teams. Accordingly a total of 12 samples were chosen which is equally distributed among two groups. The outcomes the respondents share are really crucial and needs to be considered when decisions regarding KPI are called. The responses of each question from both the questionnaires were interpreted and are included in this report through graphical representations. Since few open ended questions were also included in the survey form to gain general insight of the vendors, its analysis was also discussed briefly and precisely to get a deeper insight.

Thus, the objective of the report basically demonstrates NBL and its specific Supply Chain department along with the key roles, duties and responsibilities of an intern of that particular department. Lastly a survey is accompanied with primary data to give a practical insight of a certain portion of the Supply Chain department.

# 1 Overview of Nestlé



## **1.1 About Nestlé global:**

Nestlé is the world's leading Nutrition, Health and Wellness Company that boost and enrich lives with science-based health and nutritional solutions for almost all ages of people, in every stages of life. With its headquarter located in Vevey, Switzerland, the company sells its products in almost 197 countries, having 436 factories positioned in 86 countries and overall it employs over 335,000 people globally. This Swiss corporation end up acquiring a global sales of CHF 88.8 billion in 2015 and again proves itself to be the world's leading Nutrition, Health and Wellness Company as it is often known be "the multinational among multinationals". Nestlé is a public limited company having more than 250,000 shareholders, enabling no single shareholder holding more than 3% of the stock and around one third tend to be Swiss. The company is the worldwide leader in various product categories like soluble coffee, infant nutrition, bottled water, condensed and evaporated milk, ice cream, chocolate, malt drinks as well as culinary. Nestlé promises and also commits to upsurge its shareholder values by means of sustainable, efficient and profitable long-term growth.

## **1.2 Globally recognized Brands of Nestlé:**

A wide array of brands, including almost every types of food and beverage categories, are managed by Nestlé. Their utmost motive is to serve consumers by providing the tastier and healthier commodities that they can enjoy upon at every stage, every occasion of their lives. A very noticeable and interesting fact is that, Nestlé manages around more than 2000 brands to best serve its consumers' need, demand and expectations. However, some of them can be demonstrated in Fig: 01 where Nestlé's product categories and the corresponding brand extensions against can be pointed out.

<b>Baby foods</b>	Cerelac, Gerber, Gerber Graduates, NaturNes, Nestum
<b>Bottled water</b>	Nestlé Pure Life, Perrier, Poland Spring, S.Pellegrino
<b>Cereals</b>	Chocapic, Cini Minis, Cookie Crisp, Estrelitas, Fitness, Nesquik Cereal
<b>Chocolate &amp; confectionery</b>	Aero, Butterfinger, Cailler, Crunch, KitKat, Orion, Smarties, Wonka
<b>Coffee</b>	Nescafé, Nescafé 3 in 1, Nescafé Cappuccino, Nescafé Classic, Nescafé Decaff, Nescafé Dolce Gusto, Nescafé Gold, Nespresso
<b>Culinary, chilled and frozen food</b>	Buitoni, Herta, Hot Pockets, Lean Cuisine, Maggi, Stouffer's, Thomy
<b>Dairy</b>	Carnation, Coffee-Mate, La Laitière, Nido
<b>Drinks</b>	Milo, Nesquik, Nestea
<b>Food service</b>	Chef, Chef-Mate, Maggi, Milo, Minor's, Nescafé, Nestea, Sjora, Lean Cuisine, Stouffer's
<b>Healthcare nutrition</b>	Boost, Nutren Junior, Peptamen, Resource
<b>Ice cream</b>	Dreyer's, Extrême, Häagen-Dazs, Mövenpick, Nestlé Ice Cream
<b>Petcare</b>	Alpo, Bakers Complete, Beneful, Cat Chow, Chef Michael's Canine Creations, Dog Chow, Fancy Feast, Felix, Friskies, Gourmet, Purina, Purina ONE, Pro Plan

Fig: 01 – Brands of Nestlé

On the contrary, there are also some of the brands, amongst all, who are claimed as the “Billionaire Brands” of Nestlé. These brands got this title as 70% of Nestlé’s total food and beverages arise from certain particulars that generate over CHF 1 billion, each, in sales. These brands can be exhibited in Fig: 02.



Fig: 02 – Billionaire brands of Nestlé

### 1.3 Nestlé's history and its evolution:

Henri Nestlé (10 August 1814 – 7 July 1890), was a pharmacist's assistant from where he became the founder of the world's leading nutrition, health and wellness company. The story began in 1867 when Henri Nestlé, a 53 year old entrepreneur, came up with an infant formula (Nestlé's Milk Food) and marketed the product in the small Swiss town of Vevey. The business flourished after 1905 when it merged with the Anglo-Swiss Condensed Milk Co., founded in 1866 in Cham, Switzerland and turned to be a great successful company. Basically, Henri Nestlé recognized a necessity in society and thus applied the latest scientific discoveries to combat the furious infant mortality occurring at that time.



Fig: 03 - Henri Nestlé

The highlighted pioneering years in Nestlé's history (Nestle Global):

#### 1. 1866 – 1905:

- 1867 – Henri Nestlé launches '*Farine Lactée*' (flour with milk) in Vevey, Switzerland that actually was targeted for the infants who cannot be breastfed. Since then the iconic logo of 'Nest' was used.
- 1904 – For the very first time Nestlé started selling chocolate, where Henri Nestlé played a key vital role for the development of chocolate from 1875.
- 1905 - Nestlé and Anglo-Swiss merged and formed Nestlé & Anglo-Swiss Milk Company who previously was rivals.

## 2. 1914 – 1938:

- 1934 – The world favourite malt chocolate drink *Milo* was first launched in Australia and was exported to other concerned markets after its success.
- 1938 – *Nescafé* was launched as ‘powdered extract of pure coffee’ and can be prepared by adding simple hot water.

## 3. 1940 – 1957:

- 1947 - Nestlé & Anglo-Swiss merges with Alimentana, founder company of *Maggi* soups, bouillons and seasonings developed by Julius Maggi, which was renamed as Nestlé Alimentana.
- 1948 & 1957 - US Nestlé Alimentana came up with *Nestea* that shared the manufacturing method that can be served both hot or cold. Also, *Nesquik* was launched in US and turned out to be the top seller brand. Besides, in 1957 under the brand name of *Maggi* canned ravioli was marketed and its immense success drove Nestlé to launch more canned foods.

## 4. 1960 – 1980:

- In 1960, increased number of household buying freezers caused Nestlé to acquire German brand Heudebert-Gervais to exploit such growth, and added Swiss brand *Frisco* in 1962.
- In 1976 Nestlé took over US frozen food company Stouffer Corporation and canned food producer. Interestingly, in order to diversify their product lines and categories Nestlé took a minority stake in global cosmetics brand L’Oréal in 1974.

## 5. 1981 – 2005:

- 1981 - Nestlé included *Carnation* and *Coffee-Mate* and also pet food brand *Friskies* in its product portfolio.
- In 1986 *Nespresso* came across with the intention of a perfect coffee cup similar to barrista. Accordingly in 1988 world renowned brands like *KitKat*, *After Eight* and *Smarties* joined Nestlé’s line of brands.
- 1991 – A joint venture with General Mills, cereal partners worldwide, was created to manufacture and market breakfast cereals globally. Also, with Coca-Cola Nestlé established a joint venture to produce and market *Nestea* and also to create beverage partners worldwide.

- In 1992 it bought France's Perrier group and accordingly in 1993 separate water business was formed naming Nestlé Sources International and renamed as Nestlé Waters in 2002.
- 2001 is the year where Nestlé concentrated in pet food business by acquiring an US company Ralston Purina and intended to be the market leader in pet care naming Nestlé Purina Petcare. Accordingly, Nestlé expanding its ice cream business and bought the licensing right to premium producer Häagen-Dazs in the US and Canada and also acquired Mövenpick and Dreyer's Grand Ice Cream.

6. 2006 – Present:

- In 2007 Nestlé acquired Novartis Medical Nutrition along with buying baby food company Gerber and Swiss mineral waters concern Sources Minérales Henniez.
- Wyeth Nutrition was acquired for USD 11.9 billion to strengthen and its position in infant nutrition in 2012. In addition, the oldest surviving Swiss chocolate brand was launched as a super-premium global chocolate naming *Cailler*.

## 1.4 Celebration of 150 years:

Nestlé's history and success stories are comprised of a wide range of activities and exceptional performances that drove the brand to move towards excellence. Since from its inception till now, that is 2016, it was successfully and effectively able to complete a whole 150 years through magnificent performance. Thus, across globe it celebrates its' '150 years of Good Food, Good Life'.



Fig: 04 – 150 years of Nestle

The celebration was more of a great focus in its origin landmark Vevey, Switzerland. The main motto of the festivity was to deliver acknowledgment to consumers and all related stakeholders for their incessant trust and loyalty, especially to the employees for their hard work, effort, determination and commitment to Nestlé. Few initiatives include, like, in honouring Henri Nestlé a commemorative stamp in Swiss Post started selling which includes his portrait and signature. There is also preparation going on for publishing a history book naming 'Nestlé – The Leading Nutrition, Health and Wellness Company' that will include historical material covering the last century especially on the last ten years. In addition, Nestlé's Art Collection, which includes the work of major artists of the 20<sup>th</sup> Century, will be available at a new exhibition at the Jenisch Museum in Vevey. Thus, certain interactive and seemingly interesting initiatives are being adopted by keeping the celebration of Nestlé's '150 years of Good Food, Good Life' at centre and focus.

Keeping this joyous event in centre Nestlé Bangladesh (NBL) also initiated many projects. For the 150 years' celebration, for example, all NBL employees were awarded with special gift pack hamper, new 150 years logo was launched and is used every products of Nestlé. In addition, new ID cards with this celebrating logo was distributed for all internal employees and staffs. There are also many considerable projects taken over for making event more joyous.

## 1.5 Nestlé Bangladesh (NBL):

In 1994 Nestlé Bangladesh (NBL) started its first commercial production. Accordingly in 1998, Nestlé Bangladesh became a fully owned subsidiary of Nestlé S.A. The only factory is located in Sreepur (55 km North of Dhaka), Gazipur, which focuses on producing, noodles, seasoning, infant cereals and chocolates and also repacks milk, soup, powdered beverages and infant nutrition products. At present Nestlé is one of the strongly positioned organizations in Bangladesh. The Company is continuously growing through the policy of constant innovation, concentrating on its core competencies and its commitment towards high quality food for the people of Bangladesh.

Nestlé Bangladesh's vision is to be recognized as the leading Nutrition Health & Wellness (NHW) Company in Bangladesh, generating sustainable, profitable growth and continuously improving results to become a billion CHF Company.



## 1.6 Product Range of Nestlé Bangladesh:

<u>Category</u>	<u>Products</u>
Baby Foods	BABY&ME Maternal Nutrition Supplement CERELAC Stage1 CERELAC Stage2 CERELAC Stage3 CERELAC Stage4
Beverages	COFFEEMATE NESCAFE FRUITA VITALS MILO NESTEA NIDO FORTICHOCO
Breakfast Cereal	NESTLE KOKO CRUNCH NESTLE CORN FLAKES
Nutrition	NAN LACTOGEN NIDO 1+ NIDO 2+ NIDO 3+
Dairy	NIDO FORTIFIED NESTLE EVERYDAY
Culinary	MAGGI NOODLES MAGGI SOUP SHAD E MAGIC



## **2 Nestlé Supply Chain**

## 2.1 About Supply chain:

Supply chain management (SCM) is the system of people, organization, activities, technology, information and resources combined together to transfer a particular product or service from manufacturer to customer. It basically transforms the natural resources, raw materials and components into finished products and delivers it to final consumers. Supply chain is mainly a dynamic process that involves the constant flow of information, product and funds within different stages of an organization and also with other organizations. It is a chain of process that ensures steady flow of products or services moving from suppliers to manufacturers to distributors to retailers and lastly to end consumers. Supply chain, within its array of networks, include not only manufacturer and supplier but also engrosses warehouses, transporters, retailers and sometimes customers also.

Supply chain management in every business is crucial as, an optimized SCM chain will enable a cost minimization along with fast production process. It is such a network that allows companies to produce and accordingly distribute through this particular framework. SCM is based on mainly two core ideas, first being the fact that normally every product that do reaches to its end consumers represents the collective effort of multiple organizations, and these firms are jointly refer as the supply chain. However, the second fact is that most organizations, for a long time, paid attention to those activities that actually occurred within their territory. On the contrary, few companies understood this entire chain and as to that the result was disjointed and ineffective supply chain.

The Global Supply Chain Forum identified eight key processes that make up the core of supply chain management (Croxtton, Dastugue, & Lambert, 2001, p. 14):

- Customer Relationship Management
- Customer Service Management
- Demand Management
- Order Fulfillment
- Manufacturing Flow Management
- Procurement
- Product Development and Commercialization
- Returns.

The Supply Chain Management Program integrates topics from manufacturing operations, purchasing, transportation, and physical distribution into a unified program. Successful supply-chain management, then, coordinates and integrates all of these activities into a seamless process (Zigiariis, January 2000). SCM, therefore, falls under the active management to exploit customer value and also to achieve sustainable competitive advantage. Thus, it covers all the activities ranging from development of product, sourcing, production, logistics and also includes the information system and other related works needed to coordinate and manage these actions effectively. In simpler terms, SCM deals about what to manufacture and process in-house along with the roles that supplier and buyers play within each other's business decision and operational activities.

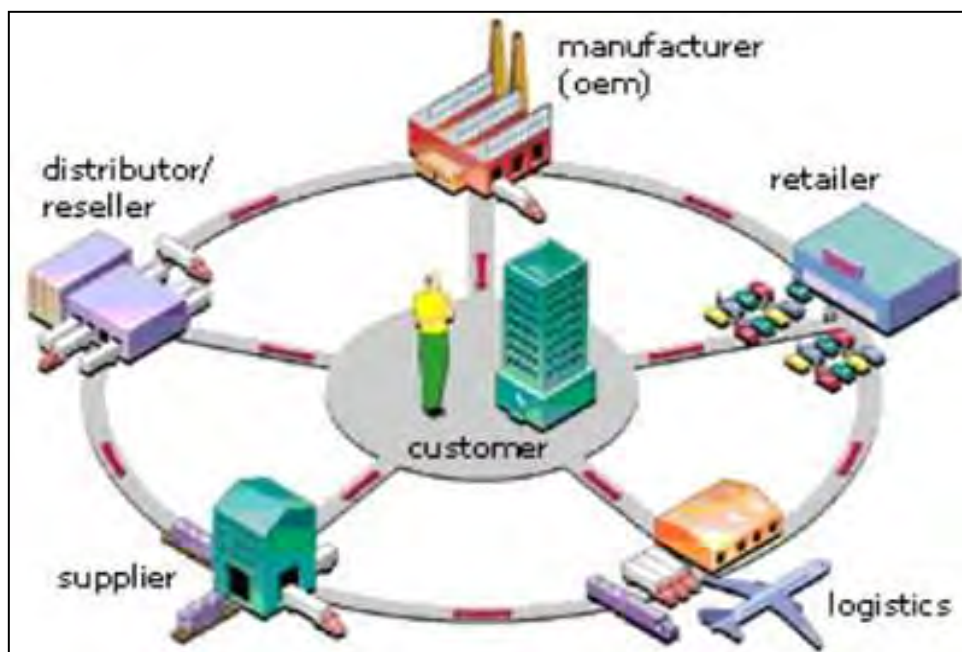


Fig: 05 – Components of SCM

In general, SCM comprises of five parties to complete its value chain that is used to create value of products right from its manufacturing till its delivery to the hand of final end consumers. In order to complete the entire process (the chain) the sixth important aspect is the customer to whom actually all the initiatives are targeted. However, these components include:

- Manufacturer
- Distributor/reseller
- Supplier
- Logistics
- Retailer
- Custom

### **Primary objective of Supply Chain:**

Like other business activities' goals, the basic core goal of supply chain is ultimately to ensure that the manufactured products or services reach safely and in sound condition to target customers' hands and also to satisfy them. In addition to this, another important motto it shares is the profit it can generate for the organization. Hence the ultimate motive is to maximize the overall value it creates within its chain. Thus, the greater is the profit extent the more successful the supply chain is.

The prime goal of any supply chain is to ensure its manufactured product or service is produced and distributed-

- At the right quantities
- To the right locations
- At the right time
- Satisfying service level requirements while minimizing overall system-wide costs

## **2.2 About Nestlé Supply Chain:**

Being the leading nutrition, health and wellness company supply chain is the heart of Nestlé. Thus, it shares a sophisticated chain but keeping customers at the center with the motto being the leader in supply chain in its industry. Hence, every component of the supply chain exerts heavily on strong interpersonal relationships with other related areas that formulates a community of people who are very co-operative. It creates such a team that shares strong ethos where each individual makes their best way to aid each other deliver. Thus, it contains no exaggeration to explain that Nestlé's actual success relies on its aptitude to manage such a huge sophisticated process in a timely and effective manner.

## 2.3 Organogram for Supply Chain Function Nestlé Bangladesh:

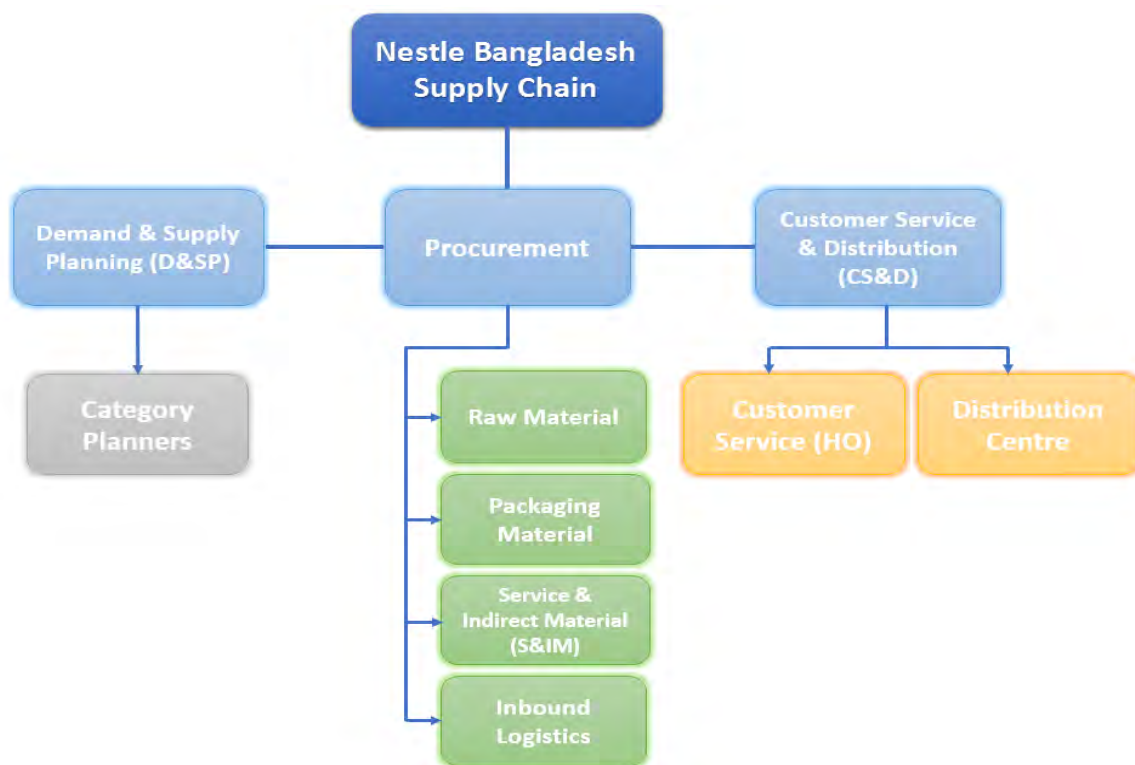


Fig: 06 – Organogram for Nestlé Bangladesh Supply Chain Function

The supply chain function of Nestlé Bangladesh is basically divided into three distinct departments:

1. Demand & Supply Planning (D&SP)
2. Procurement
3. Customer Service & Distribution (CS&D)

From these departments onwards, there are six more sections which are:

1. D&SP - Category Planners
2. Procurement - Raw Material, Packaging Materials, Service & Indirect Material (S&IM)
3. CS&D - Customer Service (HO) and Distribution Centre

## 2.4 Demand & Supply Planning (D&SP):

This department mainly focuses on the planning of demand and supply of Nestlé's products' range by properly executing and utilizing resources, budget and time. Thus, it deals with many sophisticated stages for creating the approximate demand charts at national level, in basis of which supply is decided and accordingly production is executed.

This section basically does the national Consensus Demand Planning (CDP) and National Supply Planning, for each product, for eighteen months period. To associate their findings with actual production, they do share their activities with factory supply chain and production department on weekly basis. The team of D&SP also deals with Material Requirement Planning (MRP) for the imported raw and packaging material to be used. Maintaining Inter Market Supply Planning (IMSP) with related Nestlé inter-market subsidiaries and also ensures regular participation and facilitation of Monthly Business Planning (MBP) that are related with other internal stakeholders like finance, brand, sales, etc.

Monthly Sales Review (MSR) is regularly checked every month and meeting is organized with sales department for planning the eighteen months period's forecasted demand. To identify any lag in budget, meeting with finance department is also initiated naming Monthly Gap Review (MGR). By this meeting it is checked that whether the associated budget will fix with the forecasted demand and supply planning.

After all these, the D&SP team organizes the Monthly Forecast Review (MFR) with all other department directors to finalize the Consensus Demand Planning (CDP) that came through MSR and MGR meetings. In addition D&SP also arranges a monthly based meeting naming Monthly Operational Review (MOR) with all department directors and also factory head to identify that if there is any operational issue present while implementing the forecasted figures. The D&SP team ensures the maximum freshness possible for Nestlé's products by enhancing that right product is available at right time to right location to best serve the target consumer. The ultimate motive of this team is not only to utilize but also to optimize the inventory of raw and packaging material and also finished goods.

## 2.5 Customer Service & Distribution (CS&D):

The CS&D department deals with primary sales of Nestlé with its distributors. Nestlé divides Bangladesh into 6 regions to sale its products, known as sales region, and in addition appoints 109 distributors around the country. These regions are:

1. Dhaka North
2. Dhaka South
3. Chittagong
4. Bogra
5. Khulna
6. Sylhet

However, sales are categorized into three categories:

1. Primary sales – products that are sent to distributors throughout the year.
2. Secondary sales – products sent from distributors to assigned outlet.
3. Tertiary sales – products sent from outlet to the target consumers.

Customer Service involves with primary sales only. For each of Nestlé's products monthly target is set and for that there is CDP (Consensus Demand Planning). Customer service ensures that monthly CDP is properly handed over to all distributors.

There is a norm present for each product for the distributor coverage, that is, they cannot keep any particular product over the norm. This distribution norm is managed by Customer Service by assessing current stock and new stock as per order. The use of the well-known software SAP is used to carry out all the procedures of this section smoothly. Nestlé Bangladesh shares a policy – “at first they take the payment and then deliver product”. Customer Service also maintains shipment planning and also truckload plan to ensure the extent of product to be carried out.

## **2.6 Procurement:**

The procurement department comprise of four distinctive category naming – Raw Material, Packaging Material, Service & Indirect Material (S&IM) and Inbound Logistics. Thus, the functions of each of these sections can be precisely discussed as follows:

### **2.6.1 Raw Material:**

The vital activity of raw material section is to receive raw material requirement for Nestlé's products for a horizon of 1-2 years period and procure supplies based on lead time and quantity. They manage both the imported and local raw materials. They do follow SAP for collecting orders generated by Purchase Requisition (PR) for raw materials from D&SP. Accordingly they also creates Purchase Order (PO) to confirm the ordering quantity, as per accepted lead time, for the enlisted suppliers. For imported materials, in return for PO Proforma Invoice (PI) is received that includes, description of goods, price, quantity, bank details of supplier, shipment date, invoice number, etc. Accordingly, LC is opened against authorized bank and is forwarded to suppliers. Necessary shipping documents including Commercial Invoice, Packing List, Certificate of Origin, Shipping Documents, etc are also collected for further processing requirement in port. This team deals with all the activities related with raw materials from the scratch.

### **2.6.2 Packaging Material:**

The packaging material also is a vital part of Nestlé supply chain as packaging is the utmost important material needed to preserve Nestlé's products. Thus ensuring its quality and standard is of a great vital issue as it keeps the proper balance of nutrition and health characteristics. Due to this, compared to other competitive brands, Nestlé Bangladesh is more concern and careful about selecting right vendors for its packaging materials. For packaging, seven distinct categories are used:

1. Flexi laminate – for noodles packs
2. Case Corrugated – for shipping carton
3. Solid Board – for Cerelac, Nido



4. Metal tin – for Nido
5. Rigid Plastic – for spoon given in Nido
6. Adhesive – for gluing
7. Flexible accessories – for tapes.

Based on requirement, appropriate packaging material is utilized to help preserve the nutritional balance and also freshness of the products as Nestlé offers all edible products in Bangladesh.

### **2.6.3 Service & Indirect Material (S&IM):**

The Service & Indirect Material (S&IM) team basically deals with the requirement of all the indirect materials and services required for smooth flow of Nestlé Bangladesh's operations. It procures all the indirect items and services needed in head office, factory and distribution center. The functions of supply chain are spread in 10 specific categories. They are:

01. Advertising:
02. Marketing & Sales:
03. Point of Sales Assets (POS)
04. Utilities, Environment & Facility Management
05. Fixed Assets, Equipment. & MRO
06. Administration & HR Services
07. Other Professional Services
08. Contract Manufacturing
09. Logistics
10. IS/IT & Telecommunication

### 2.6.3.1 Organogram for S&IM:

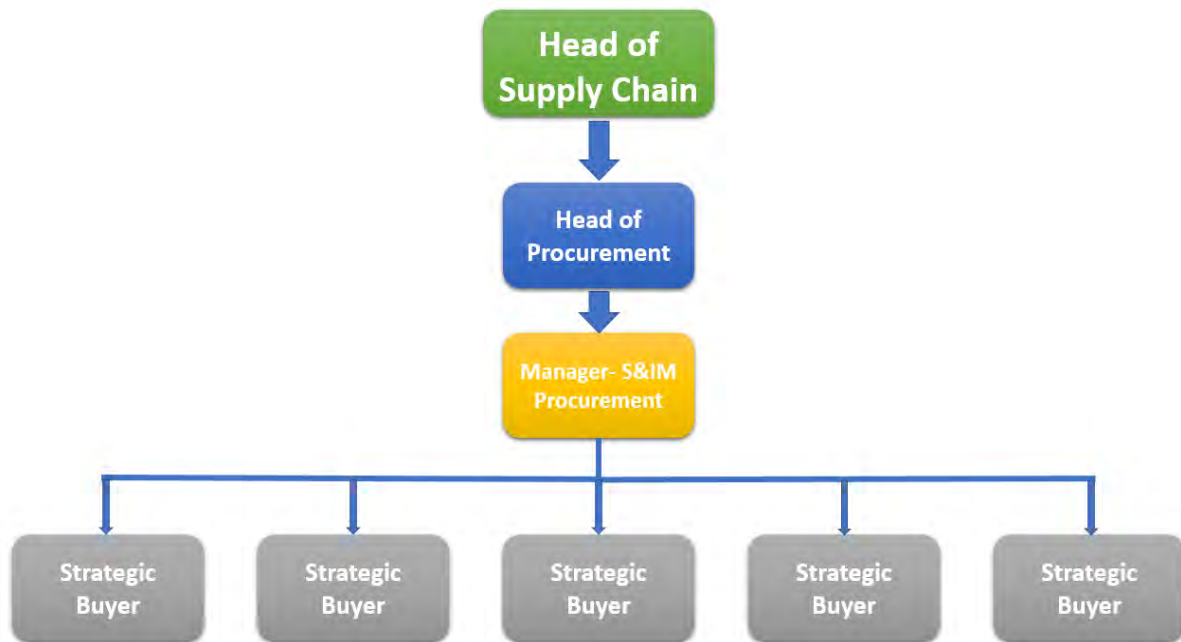


Fig: 07 – Organogram for Service & Indirect Material (S&IM)

The 10 components of S&IM is split among five category buyers who are responsible either individually or combined. The role of these category buyers are defined in two specific terms naming category Strategic Buyer (SB) and category Operational Buyer (OB).

The head of all the five buyers is the Manager of S&IM and accordingly the Senior Manager is the head of all raw material, packaging material and S&IM teams. At the top is the Head of Department (HOD) or the director of Supply Chain who is a member of Management Committee (MANCOM).

### 2.6.3.2 Strategic Buyer & Operational Buyer:

#### **Strategic Buyer**

A Strategic Buyer is a purchasing employee who, either independently or with input from cross-regional or cross-functional sourcing teams, defines a spend category strategy that specifies:

- Nestlé's approach towards the supply market for a given spend category;
- Nestlé's approach towards the internal users of a given spend category.

Based on the defined spend category strategy, the Strategic Buyer initiates and maintains all supplier relationship management activities.

#### **Strategic Buyer Responsibilities:**

- Reduction of total cost of ownership through:
  - Fact-based negotiation with suppliers
  - Leveraging of spend on regional / global level
  - Specification and supplier reduction
  - Challenging usage patterns
  - Improving supply processes
- Reduction of supply risk
- Increasing supply flexibility
- Leveraging supplier's know-how to improve Nestlé products and processes
- Leveraging spend category knowledge of operational buyers and internal users, through cross regional / cross-functional sourcing teams.

#### **Operational Buyer**

An Operational Buyer is an employee who is authorized by his/her manager to order goods and/or services from external vendors on behalf of Nestlé.

An Operational Buyer can belong to any department within Nestlé.

#### **Operational Buyer Responsibilities:**

The Operational Buyer has the responsibility to assure delivery of goods and services to the internal user:

- on the requested date;
- at the requested place;
- in the requested quantity and quality;
- with all the required documents;
- preceded by all the requested confirmations and acknowledgements.

Operational Buyers should, as much as possible, create purchase orders that reference a contract negotiated by a Strategic Buyer. In case of repetitive purchases from a vendor, they should inform a Strategic Buyer if a contract with that vendor is not in place.

### 2.6.3.3 Workflow of S&IM:

- Purchase Requisition (PR) is received by category buyers that follows a system generated number
- Based on the requirement, vendors are short selected
- Request for Quotation (RFQ) is then accordingly circulated with a due deadline
- Suppliers submit their quotation
- The quotation received is further analyzed and based on the scope available a revised final offer is asked
- To further evaluate the final quotation, a comparative statement (CS) is prepared that includes a summary of the entire supplier's bidding price along with necessary information related to delivery. It also includes a short summary that defines everything from the beginning.
- Based on the CS, the lowest bidder gets the order. However, for Nestlé it not always the situation that the lowest quoted price gets the deal it is also based upon the potentiality of the vendor, their capability to align with Nestlé's requirement and their field of expertise.
- Finally, again a system generated Purchase Order (PO) is received by the specific buyer who hands over the PO to the final short selected vendor confirming the deal.
- In response, the supplier acknowledges the receipt of PO and a timely delivery is ensured again.
- Buyer, on specific intervals, makes regular follow up and after final delivery supplier needs to submit proper documentation to head office.
- After final assessment of those given documents finance department settles down the payment.
- This entire process is also maintained in a common shared file among the category buyers, which includes every step of this procedure. That particular file needs to be filled out with specific date and description and an average evaluation phase is assigned there to calculate the HIT or MISS target for every order.

#### 2.6.4 Inbound Logistics

Another section of NBL supply chain is the Inbound Logistics that actually deals with all the related tasks after final shipment documentations are received from Raw Materials section. The role of Inbound Logistics team is to release imported goods from Chittagong port or Dhaka Airport or Benapol port. The mainly settles the duty payment to government and after the goods are released they also ensures the transportation from port to factory. Their roles can be precisely defined as follows:

- **Ensuring Supply:**  
Inbound logistics basically ensure supply of products that are imported and also confirms its transportation to factory. NBL usually imports Raw Materials and Finished goods and Inbound Logistics takes care of importing the required item at right time and at right place. Thus its operations lie with monitoring and following up the imported items so that a constant supply is ensured without any breakdown.
- **Customs clearance:**  
Another vital role of Inbound logistics is to take care of custom clearance and import duties as per compliance, ensuring proper commercial value, duty and taxes with H.S. Code (Harmonized Coding System). It facilitates all customs activity getting the important materials within a specified lead time.
- **Sea -Transport:**  
For imported materials to be shipped through sea, Inbound logistics need to dispatch country of origin, invoices, packing lists, other related import document for the goods to be released in a timely manner. This team deals with shipping agents who ensure transportation of goods from one country to another.
- **Inland Transport:**  
Inbound logistics maintain inland transport services carrying the goods from different ports to warehouse.

- Legal activity:

Inbound logistics also accomplish legal activities such as resolving disputes at customs for any variations of imported goods' 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.

# 3 Key Responsibilities

### 3.1 Roles, duties and responsibilities:

I am assigned in the Service & Indirect Material (S&IM) section of Procurement Department, Supply Chain Function of Nestlé Bangladesh. Thus I deal with various aspect of the workflow explained in earlier section. Accordingly my area of concentration goes below:

### 3.2 Preparing & Circulating RFQ:

Once the Purchase Requisition (PR) is received by my line manager, who is a category strategic buyer, she forwards me the entire detailing of requisition and the list of suppliers with whom to communicate for this purpose. Based on the requisition, I do prepare the RFQ first. The format is fixed and accordingly I need to put the appropriate information and also need to ensure certain inputs. Thus the RFQ must contain:

- Nestlé logo
- Nestlé head office address
- RFQ Reference number
- Date – the day the RFQ will be circulated
- Item name – the name of the required products or service
- Specification - it contains all the detailing that comes to clarify the requirement properly like model numbers, features, etc
- Quantity
- Payment terms: Nestlé shares a declaration about its Payment terms.
- Price – the price clause defines that “Price mentioned in the quotation should be inclusive of Material cost and delivery cost and it should be shown as single unit price. No break up is allowed for unit price and delivery cost. **VAT amount should be mentioned separately in the quotation”.**
- Delivery time and place – by when Nestlé Bangladesh (NBL) requires delivery and where to deliver – to head office, factory or distribution centre
- Offer validity, warranty and last date of quotation submission
- Bill submission – as NBL do not deal with cash so after delivery the supplier is required to submit the following copies:
  - Bill Invoice
  - Copy of Purchase Order
  - Delivery Challan



- VAT Challan

If any of these is not submitted, it is then considered as incomplete and payment is not proceed unless the proper authentic document is received.

- Once the RFQ is complete, it is signed by the strategic buyer and a space is kept blank for the receiver which also gives space for sign and seal.

Ensuring all these information properly RFQ is circulated to enlisted vendors or suppliers. Sometimes, as part of RFQ there is also Bill of Quantity (BOQ) which shares the list of items required, if requirement if for higher category and quantity. The RFQ is a one page document and along with a formal e-mail it is transferred.

### **3.3 Enlisting new vendors:**

However, it is not always the case that RFQ is forwarded only to enlisted suppliers there is also chances that new suppliers are also approached along with the existing one. If any new party receives the confirmation or gets the PO then that particular vendor needs to be enlisted first that takes few working days to get included in NBL's internal system or vendor database. Thus the enlistment procedure also includes certain documentations that need to be filled out to make sure that the particular supplier is aligned in accordance to the codes and requirements of Nestlé. This includes:

1. Application for enlistment on letter head pad
2. Valid Trade License
3. Certificate of Incorporation (if limited company)
4. Introduction letter from bank
5. TIN certificate
6. VAT registration certificate
7. Partnership Deed/Memorandum
8. Photograph of Proprietor
9. Major client list
10. Nestlé Supplier Code – a code, that defines all the dos and does that a Nestlé supplier can follow and also defines the activities that needs to be prohibited, duly signed and sealed by the owner or any individual from equivalent post.

After all these documentations are submitted properly, a particular vendor enlistment form is to be filled out by me which contains the registered name of the supplier, address, contact details, bank details and other payment information. Then the form needs to be signed by six individuals – Data Provider (my line manager), business approver, system analyst, requester, VM data entry – Procurement and VM data entry – Accounts payable. Once the form is duly signed, it then gets the approval to get included into system and vendor database. Therefore, any deal cannot be initiated unless vendors get enlisted first.

### **3.4 Comparative Statement (CS):**

After floating RFQ to selected vendors, quotation is received and I also need to keep the track that it is received within the given deadline. Then based on further scope, I usually do further negotiation to provide us a final revised offer. Thus, taking both the offers into consideration as Initial Offer and Final Offer a Comparative Statement (CS), also refers as purchase approval, needs to be made. The CS contains:

1. Date of Statement
2. Purchase approval - the name of the item or service that will be purchased
3. Purchase Requisition (PR) number
4. Description of goods containing all detailing and quantity
5. In separate columns the offers provided by each vendor is represented in a landscape view so that the entire document fits in one page and can easily be differentiated and learned about.
6. A comment section – It also includes the summary of the entire negotiation right from floating of RFQ to final selection of vendor. This précised summary should not only clearly explain the entire scenario only but also shows reasoning regarding why the deal is closed against the selected vendor. It is not always the case that a selection is made only because of lowest quotation rather the supplier should be potential enough in aligning with Nestlé codes and ethics and also demonstrate enough expertise in its field of operation.
7. Decision – this section is a line that dictates the name of the supplier on behalf of whom the order is closed.

8. Lastly it contains space for sign for three individuals – Strategic Buyer, Manager – S&IM, Senior Procurement Manager. Thus the document needs to be signed to get the purchase approval. Once it is approved, the concern buyer is responsible to create Purchase Order (PO) in the system that automatically generates a PO number and a three page copy including all the information of the dealing.

### **3.5 Organizing Documentation:**

The CS cannot be signed off unless it is ready with the bunch that shares all the related documents that witnesses the entire dealing procedure. This includes:

1. Document regarding requirement
2. RFQ and RFQ Issue Document
3. Initial Quotations along with all the related communications
4. Final Quotations along with all the related communications
5. Regret Letter – if any vendor regrets to quote
7. Decision Supporting Document – any communication that was exchanged with the prospective users or department regarding Procurement Decision or regarding any alteration or variation from their given requisition. Also feedback from approvers is also attached with this documentation.
8. Purchase Approval or CS
9. Purchase Document

Following this pattern the entire bunch of document is prepared. The significance of this booklet is that while taking approval from the manager and senior manager the entire scenario needs to be explained verbally and it is matched against this document. Once they are satisfied with the process and related negotiation they do give approval. This document is later preserved as while auditing if the audit committee finds any discrepancy they do then use this as a matter of evidence, followed by a certain PR and PO number, to identify the actual scenario.

### 3.6 PO handover and ensuring delivery:

Right from floating RFQ till the successful delivery within due time requires a continuous interaction, communication and follow up with the vendors to learn about the current state. Being the S&IM intern, I need to maintain this on interval or sometimes regular basis. However, once the approval is done, concern strategic buyer creates PO in the system and then the final copy is then handed over to the selected vendor and delivery time span is also ensured. Accordingly, I constantly needs to follow up regarding delivery unless they do dispatch the goods or services within due time. Once the suppliers deliver, I also need to update a shared excel file that contains the PR number and name of the PR of all the concerned category buyers. This file mainly describes the time horizon taken for converting a PR to PO. For every phase or stage, including negotiation, there is a lead time given and if any of this is not within that lead period, a remark column puts a MISS and if done within due time then a HIT. In this way every stage, right from PR to PO, needs to be updated with proper due date and description.

## 3.7 Projects assigned:

### 3.7.1 Measuring Key Performance Indicator (KPI) of suppliers:

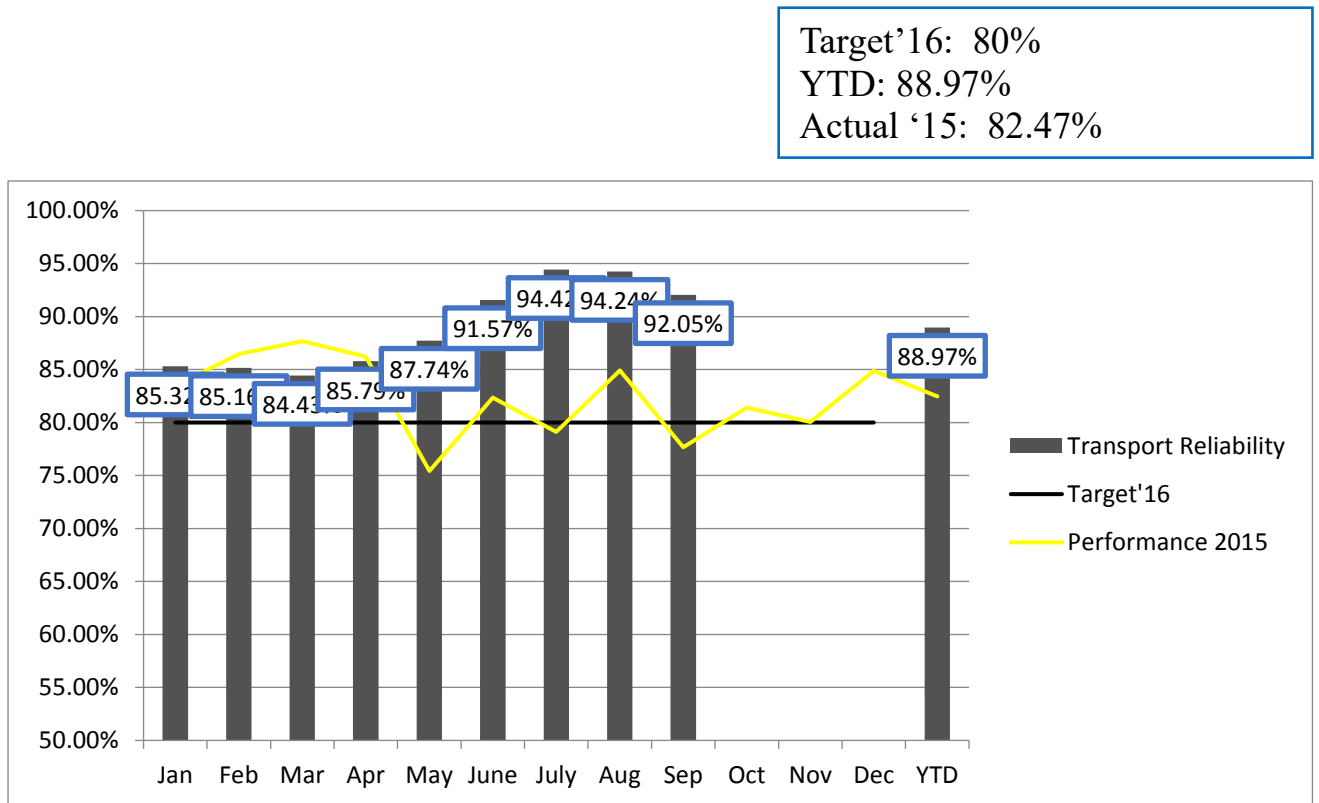
Nestlé Bangladesh conducts KPI to track and measure the extent of performance of vendors with whom Nestlé deals regularly. Fixing the KPIs are done with consent from respective users and suppliers accordingly. Thus, it goes in the following trend:

1. Firstly the scope of work, like the name of the job or contract needs to be sorted as similar contracts might be taken from various suppliers or one particular supplier might remain involved with many contracts.
2. Then I am required establishing certain proposed indicators or criteria against which the vendors will be evaluated.
3. Accordingly, these indicators will then be shared with concerned users first as the measuring and monitoring metrics for performance evaluation can be best suggested by the concern user/s most who is currently attaining their provided services.
4. Once the concerned user/s shares their opinion, the final indicators are then shared with the prospective vendor/s to get their consent too and following further negotiation the final KPIs are finalized.
5. Once the indicators are final, particular suppliers are observed and monitored against their performance level and also marked to keep track. Based on the recorded performance the finalized KPI is measured and each period's outcome is compared with the next one to identify the level of progress or regress.

The KPIs are usually measured against the level of followed target being hit or miss. In the case when a certain vendor misses assigned target then they are penalized like deducting 0.02% from their annual values, etc. This KPI measuring strategy is conducted not only for speeding up service, being efficient and getting benefited from Nestlé's perspective only but also for the betterment of the supplier itself.

### 3.7.2 Recent KPI Measurements:

Among some recently conducted KPI measurement, one can be represented (as illustration) in the following graphical presentations:



**Fig: 08 -Transport Reliability (Placement & Quality)**

- This KPI was measured against the transportation facility taken by NBL from a particular supplier.
- It mainly focuses on the reliability transportation of service taken by Nestlé Bangladesh.
- The term YTD stands for “Year Till Date” this indicates the measurement made till the week or month or period it is measured. Since this KPI was measured in September, this period will be considered as YTD.
- It shows the set target that suppliers are required to receive which is 80%.
- Thus, if any specific vendor performs 80% or more they are performing well while below this target line is not a satisfactory performance level at all.

- The actual performance made in 2015 is 82.47% and keeping this as a comparable component the measurement for 2016 was conducted
- However, it is also a notable fact that while measuring the current KPI a review of the last conducted KPI should also be included so that a comparison regarding the progress can be measured out.

# **4 Project Part**

## **Survey on Key Performance Indicator (KPI)**



## 4.1 Introduction

Nestlé Bangladesh involves in measuring Key Performance Indicators (KPI) of its vendors with whom it works regularly. Thus, it manages and monitors suppliers' performance by measuring, analysing and managing suppliers' ability to comply and align with preferably contractual agreements. KPIs are usually measured for those with whom NBL works extensively or regular basis or with whom they maintain contracts or agreements.

For S&IM, supplier performance can be monitored as per below criteria:

- Number of delivery made in full and on time
- Level of non-conformance, e.g. rejects
- Project milestones delivered on time and to cost
- The number of customer complaints
- Flexibility (ability to respond to changing needs)

Stakeholders' feedback on service is critical for S&IM. These include:

- User satisfaction with the product or services,
- Responsiveness of the supplier,
- Quality of account management / people or support services (such as call centers)

### **Supplier performance management checklists -**

It contains some of the commonly used indicators, for certain categories, to evaluate suppliers' performance based on different parameters or the nature of service received. Some, as means of example can be:

#### ➤ **Delivery -**

- delivers on time
- offers a competitive lead time
- delivers correct items and quantities
- provides accurate documentation and information
- respond to emergency delivery requirements.

➤ **Customer service -**

- compliance with contract terms and conditions
- desire to serve
- effectiveness of sales support
- market insight
- training provided on equipment or products
- support on professional or technical matters
- adherence to their company quality systems& Safety.

➤ **Product -**

- meets specifications
- reliability/quality
- packaging suitability

**The benefits that KPI measurement actually brings about are:**

- Contribute to effective risk management
- Helps to develop strategic relationships with suppliers
- Assist in developing supplier capability
- Improve supplier and buyers performance
- Past performance influence future decisions
  - Helps to predict the quality and likely degree of customer satisfaction with future job
  - Provides a strong incentive to suppliers to maintain high levels of performance
  - Effective supplier performance monitoring gives insight into supplier capabilities, strengths and weaknesses.

Thus a survey was conducted to identify the view point vendors do share regarding the measurement of KPI. Measuring KPI is not applicable for all category vendors; rather, only in some specific areas it is initiated. It is also planning for implementing it on other areas wherever applicable. Therefore the survey was done by considering two groups of respondents; where one group's KPI is measured regularly while KPI for the other one will be initiated soon. For both groups the viewpoints regarding KPI varies and through this survey it was highlighted.

## 4.2 Problem Statement

The problem statement for this report is “To identify the view point of suppliers on KPI”.

## 4.3 Purpose of the research

The view point of suppliers of Nestlé Bangladesh regarding KPI along with their opinion was collected through two sets of questionnaires. Suppliers were asked various questions to identify their outlook and observation regarding KPI measurement by Nestlé Bangladesh and their extent of support and agreeableness was also tried measuring through this survey.

## 4.4 Timeline

The completion of the project went through various phases and the time required in each stage can be presented in the following tabular format:

Chapters	Job	Time intervals
01	Prefatory and organization part	5 days
02	Supply chain of Nestlé Bangladesh	5 days
03	Key Responsibilities	5 days
04	Project Part: Problem Statement and purpose Preparation and approval of questionnaire Finalizing respondents and circulating questionnaires Collecting responses and analyzing data Findings and conclusions	02 days 03 days 02 days 04 days 02 days
05	Supplementary Part and final editing	02 days
	Total	30 days

## 4.5 Limitations

There were several limitations to be faced while conducting the research. These include:

- Time – the time period was very short and conducting this study demands for more time flexibility and in depth observation
- Suppliers were reluctant to participate as they were concerned about their views, especially the negative ones, to be shared with
- It was really challenging to make the suppliers persuade and understand the motive of the research. Many of them considered to consult with their legal team also before answering this survey as they considered this study to be directly related with Nestlé Bangladesh and feared of getting impacted by any obligations in their relation with NBL
- The number of respondents were very limited thus ensuring the greater precision for the study became bit challenging

## 4.6 Methodology

The research was mainly conducted among two groups of respondents. The data collected to analyse the findings are therefore primary. Thus, the following divisions were followed:

- Sample: Each group consists of 6 respondents and therefore a total of 12 samples participated. The total number of samples initially was 14 but 2 of them denied to take part.
- Questionnaire: Two different questionnaires were followed. As, one was prepared for the respondents whose KPI is measured regularly by NBL. The other one is for the participants who are not aware about the KPI measurement of Nestlé Bangladesh.
- Question type: maximum closed end followed by few open ended questions

Accordingly the responses were collected and analysed based on the observations followed by the vendors. From this survey a different picture comes out from a different dimension and is really helpful in the implementation of the KPI measurement process.

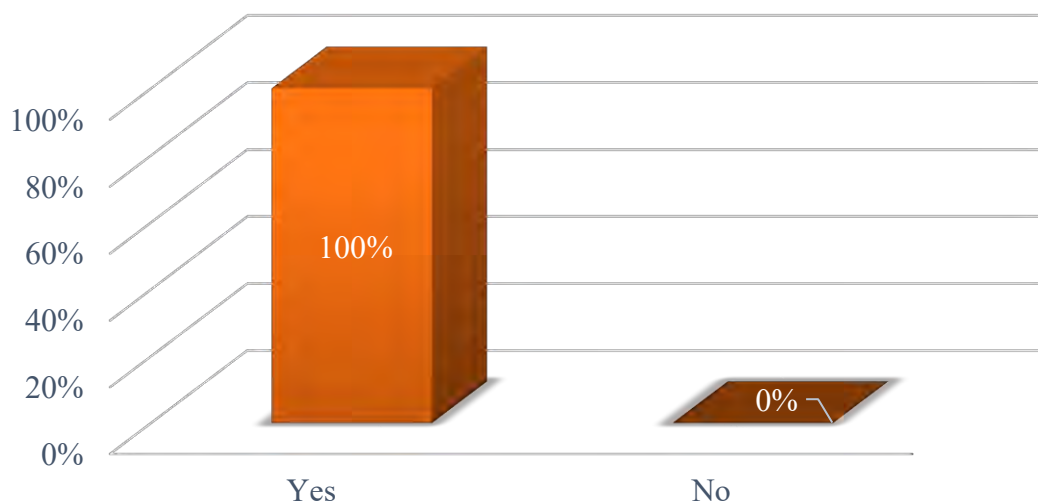
## 4.7 Findings

The outcome of the survey can be elaborated precisely in various graphical presentations to better understand the view points and surveillance of the respected vendors of Nestlé Bangladesh. The two sets of questionnaires can be defined as follows:

1. One for the vendors with whom KPI measurement is shared already and this was known as **Questionnaire for Existing Vendors**
2. Another one was for the vendors with whom KPI is not shared but will be implemented soon known as **Questionnaire for New Vendors**

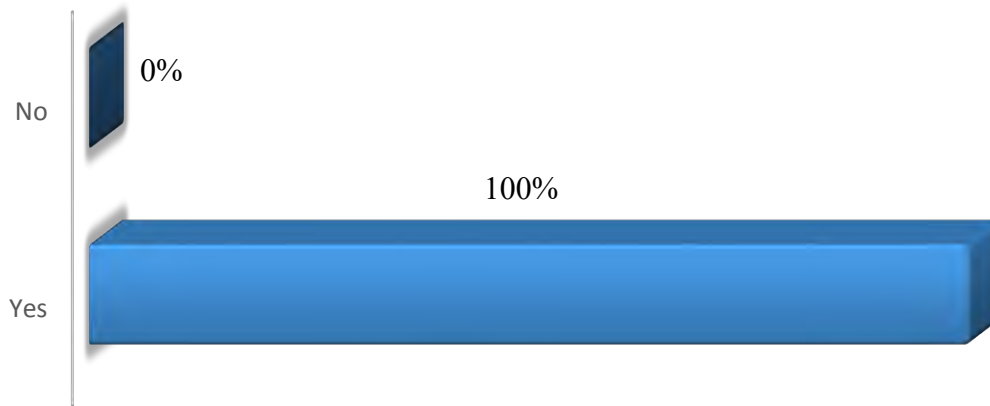
### 4.7.1 Findings from – “Questionnaire for Existing Vendors”

**Q1 - Is it important to measure KPI to improve your performance level?**



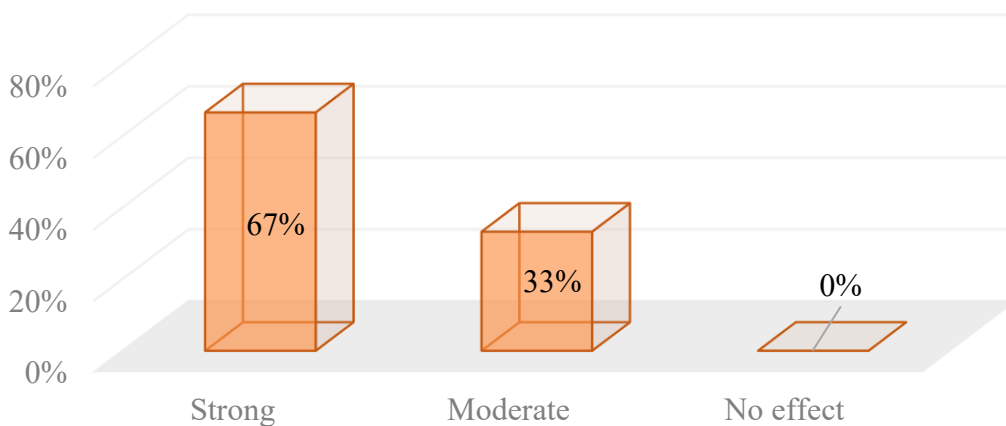
- For this particular question all the respondents agreed on the fact that it is vital and important to measure KPI.
- They also agreed on the fact that measuring KPI can also be considered to be a crucial fact in improving their performance level to progress onwards.

**Q2 - Are you satisfied with the existing process Nestlé follows to measure your KPI?**



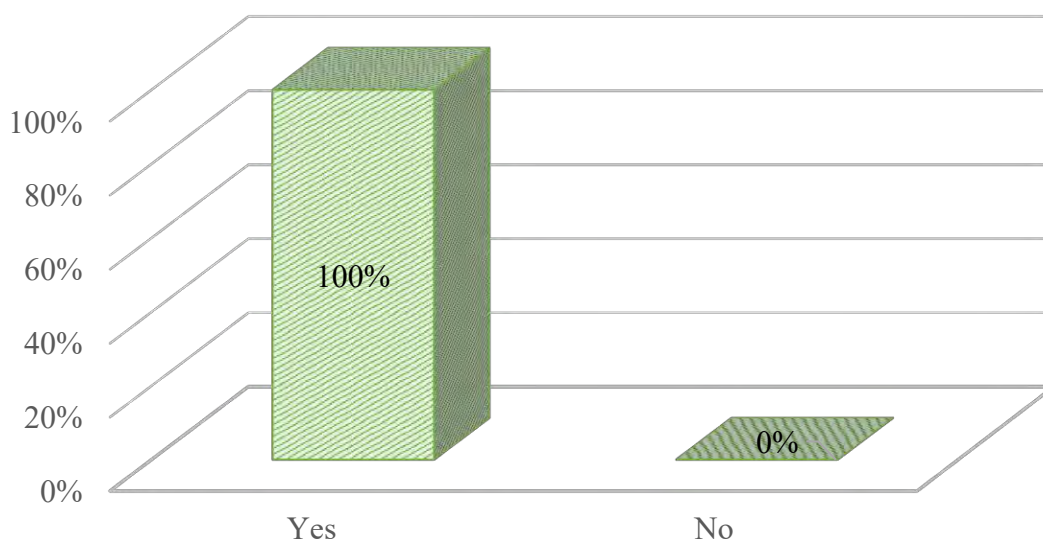
- In answering the question about the process Nestlé follows to measure KPI, all the respondents expressed a satisfactory view.
- This strongly indicates that the process of KPI measurement is actually implemented in a positive way and also the objective of establishing KPI is of a great success as the target goals are achieved predominantly.

**Q3 - To what extent Nestlé's KPI measurement process helps you to improve your operational activities?**



- For the question of improving operational activities in what extent, 67% of the respondents can feel that the KPI measurement process has a strong impact while the remaining 33% finds it moderate.
- None of the respondents could not find any impact or change in their operational activities.
- This clearly defines that the process of KPI measurement by NBL is actually fruitful and influential. Since majority finds the impact strong, this can be concluded that with some further improvements in KPI measurement process all the suppliers can have a positive strong influence in the advancement of their operational activities.

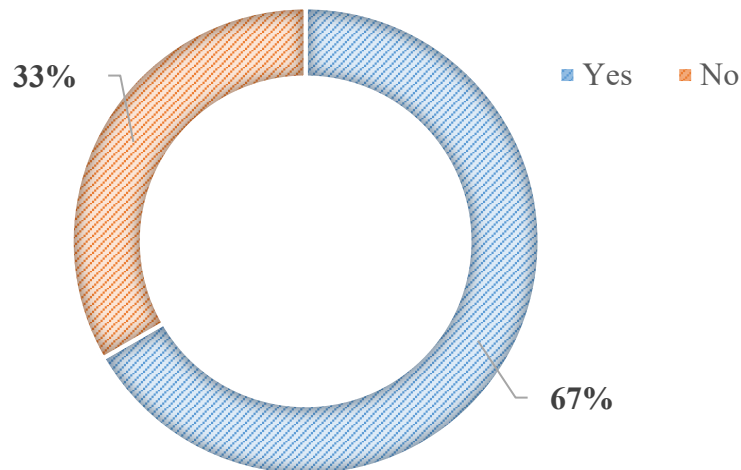
**Q4 - CAN NESTLÉ HELP YOU TO DEVELOP YOUR PERFORMANCE, THROUGH KPI, SO THAT YOU CAN OPERATE WELL?**



- This question was asked indirectly to know that whether there is a presence of any scope for NBL to help suppliers achieve a consistent performance level. There can be scenario where vendors face any inconveniency from NBL instead that causes compulsion in achieving a good target.
- All the suppliers strongly feel that NBL has a huge role to play in developing their performance point.
- Another addition of this question remains that if the answer is yes then in what ways. Thus the answers are somewhat like follows:

- By KPI the vendors can evaluate their performance and accordingly can take preventive and corrective actions or step to further improve where it is necessary
- By assessing resources and setting realistic KPIs that are achievable within limited resources or extents or capabilities
- By Nestlé's KPI vendors can properly use their vehicles, for the transportation sector, and so they can deliver the product within estimated time frame
- By Planning for on time delivery and better service

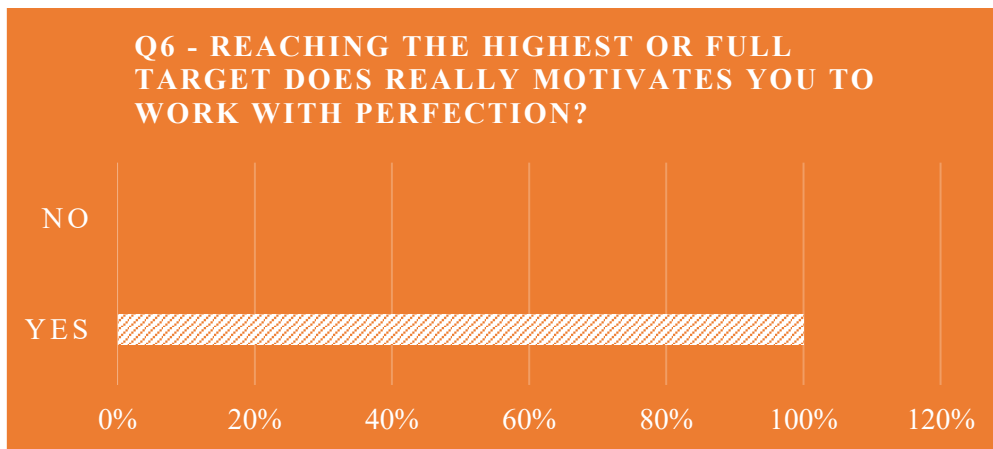
**Q5 - ARE YOU SUPPORTING THE CONSEQUENCES YOU FACE IF YOU MISS THE SET TARGET OF KPI?**



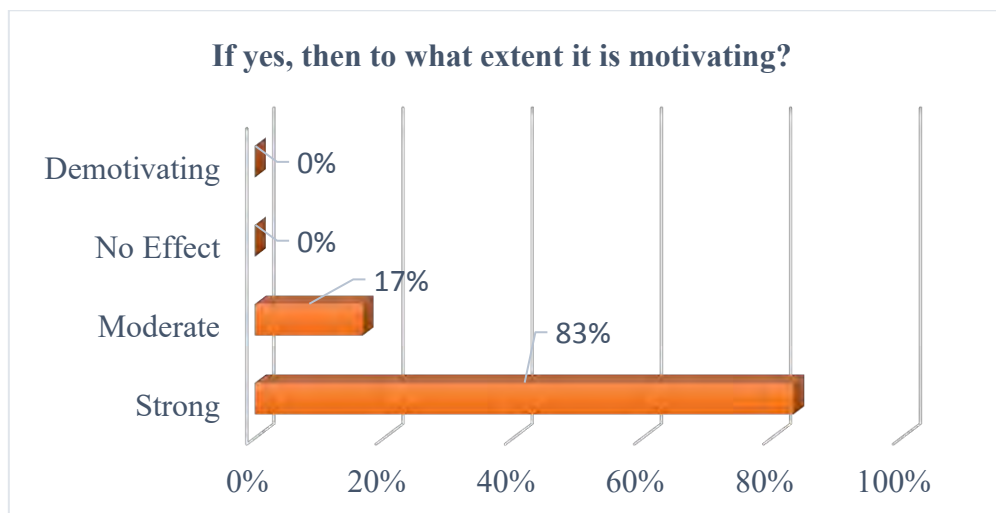
- At Nestlé, if the vendors are unable to reach the set standard target of defined KPI this creates certain consequences not to demotivate but to encourage them to better perform in future.
- These consequences can be like, their allocation reduces or a very small percentage, like 0.2%, gets deducted from their yearly payment. All such hitches are designed with the probable consent of the suppliers
- In answering the question for such consequences 67% of the respondents supported this policy while the rest found it unsupportive
- This calls for a fact that the objective and motto of measuring and maintaining KPI is not clear to these 37% vendors. Therefore it should be shared clearly with the vendors



so that they can identify and agree on the good and positive consequences of achieving and maintaining the set standard target consistently.



- To reach the highest target of KPI is really a motivating factor for the vendors of Nestlé Bangladesh as all of them agreed upon this fact
- It actually works as an effective tool to improve the efficiency level to new heights and also to increase the level of precision vendors have in their performance

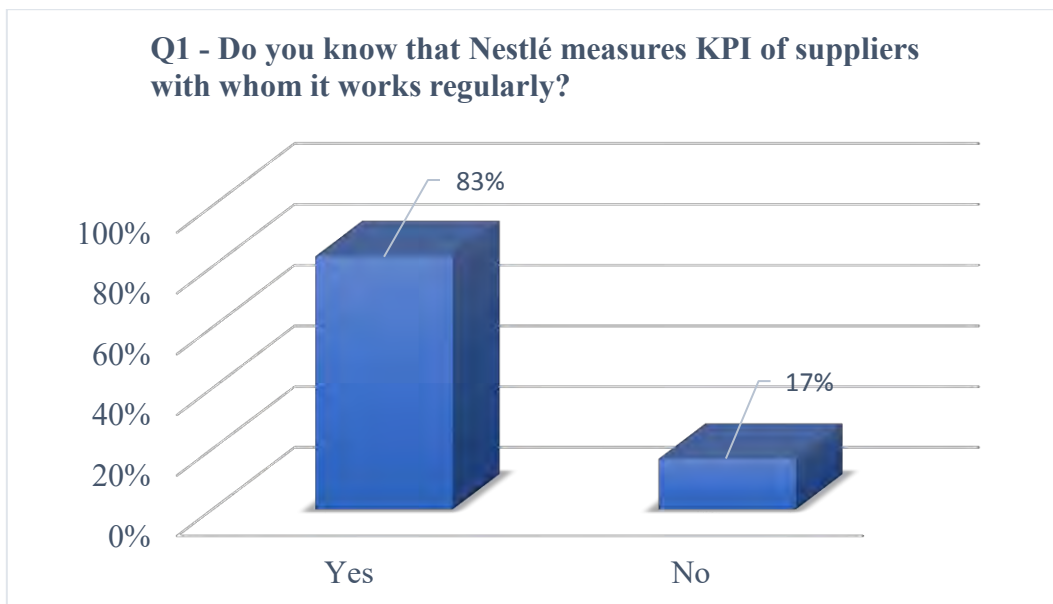


- Another question followed by the previous one was asked about regarding the extent to which vendors are motivated to work with perfection.

- As, all the vendors agreed upon the fact that KPI measurement actually motivates them to work with greater precision and among all 83% respondents find it strongly motivating while the matter is moderate to 17% people.
- Thus, it is also a noticeable fact that Nestlé’s KPI measurement is actually an effective tool that encourages vendors to perform well and to majority it is strongly motivational.

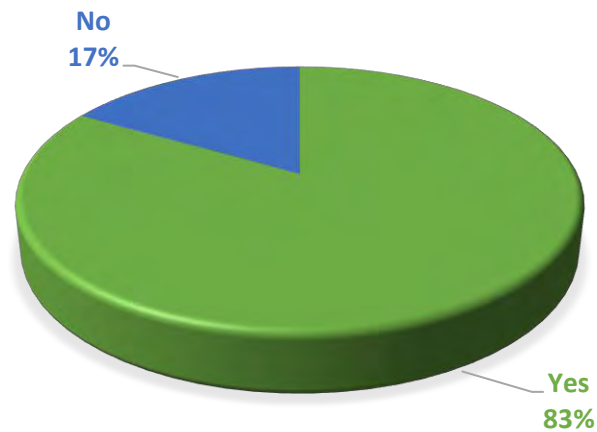
#### 4.7.2 Findings from “Questionnaire for New Vendors”

For the findings from this particular questionnaire, various dimensions, regarding KPI, comes out from the vendors with whom Nestlé will initiate the measurement.

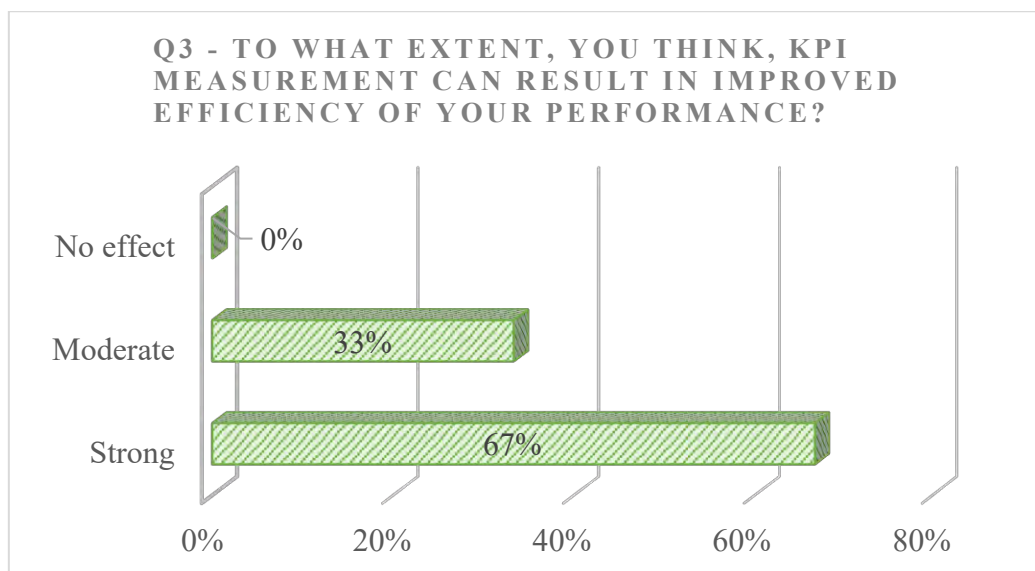


- For this group of respondents majority, which is 83%, shared the fact that they are aware about the fact that Nestlé measures KPI.
- However, on the contrary 17% reported that they are unknown about Nestlé’s KPI measurement phase.

**Q2 - IF NESTLÉ INTENDS TO MEASURE YOUR KPI, WILL YOU BE INTERESTED TO PARTICIPATE?**

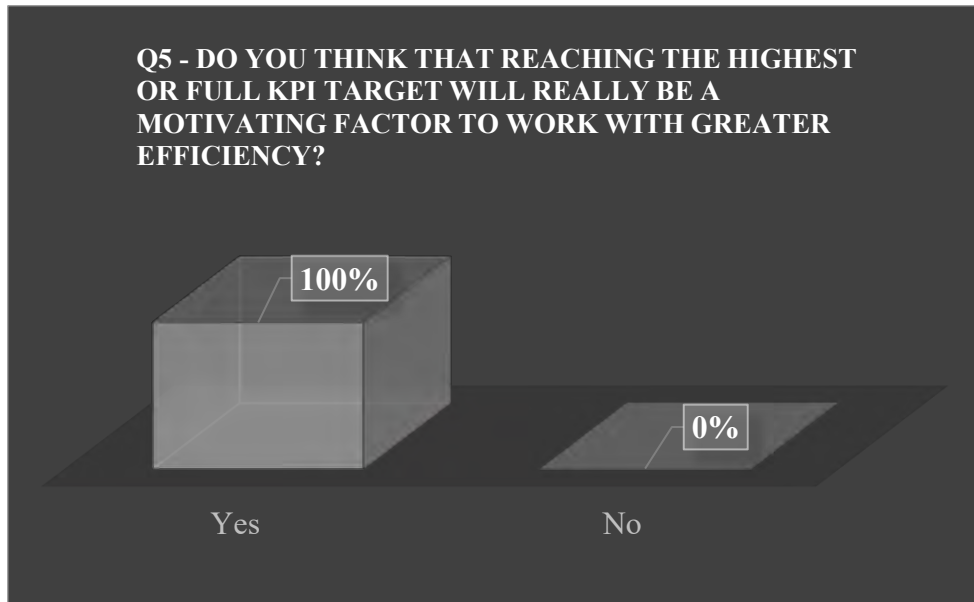


- To further gain insight regarding the interest of the vendors for participating in KPI measurement process, here also 83% of the respondents shared their willingness while the remaining 17% denied to take part.
- Though majority expressed to participate yet there is a noticeable fact, that is, to identify the reason/s that is resisting these 17% respondents to be a part of Nestlé's KPI measurement process.

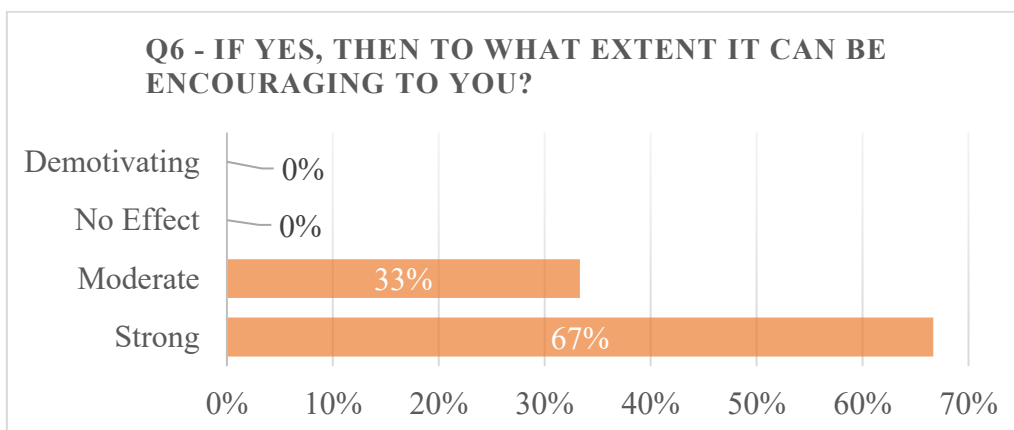


- Here, 67% of the respondents consider strongly that implementation of Nestlé's KPI measurement can lead to improved efficiency and operational level.

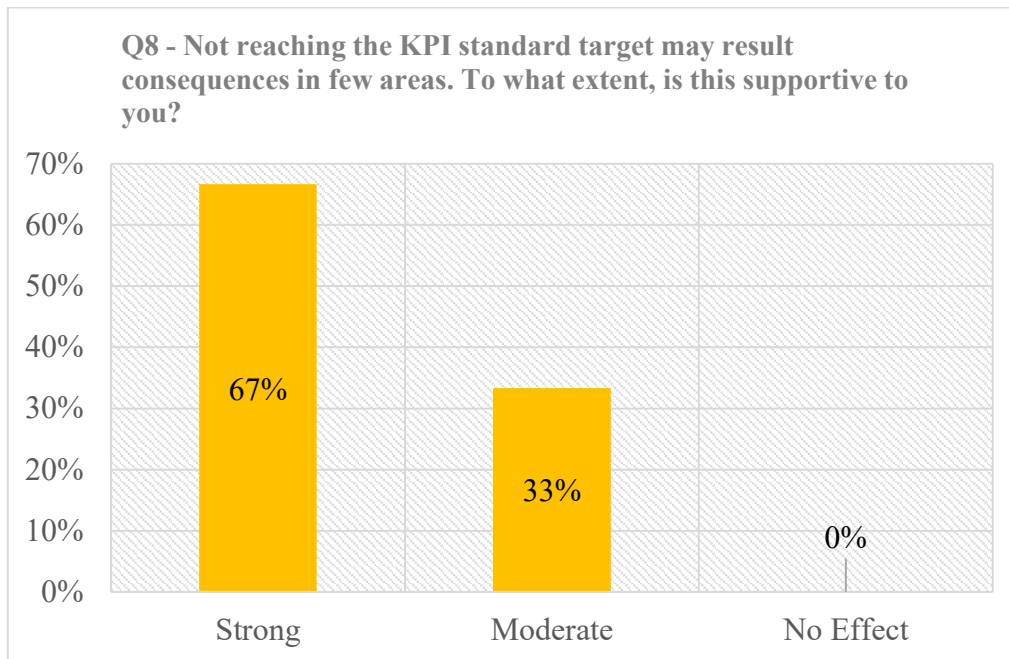
- Thus the extent of agreeableness was moderate among 33% respondents.
- Since majority believes the impact to be strong, the remaining 37% will also be accompanying them when they get to see the improved efficiency results when KPI is actually implemented.



- To enquire about the impact on efficiency level, this particular question was asked.
- Here also 100% response was received in favour that defines that all the respondents will be ready to work with greater efficiency to provide better precision.
- This is also notifying that Nestlé’s KPI measurement process is actually an effective tool that helps immensely to improve operational level of the vendors.



- This question was a further part of the last one and through this the extent of inspiration vendors have to reach the highest target was tried captured.
- For 67% respondents it is strongly encouraging to achieve the highest target.
- On the contrary, 33% of the samples find it moderately inspiring.



- If the vendors are unable to meet the standard target of KPI there are certain minimal adverse impacts they have to face (explained already in earlier sections).
- In that case, 67% of the respondents find it supportive while the remaining 33% it is not supportive at all.
- The motto of such drawbacks is to keep the vendors always motivated and inspired to maintain a steady performance level with the urge of growing more. Thus, it is in a sense crucial so that vendors are always within track.

### 4.7.3 Further analysis for the open ended questions:

Both the questionnaires included few open ended questions that strived to get the generalized view the respondents conserve regarding KPI. Therefore, the opinions shared by the respective vendors can be summarized as follows:

#### **Open ended questions' answer summary for “Questionnaire for Existing Vendors” –**

- One question was regarding the area/s vendors improved significantly especially after Nestlé's KPI measurement is introduced. In response, they gave the following views:
  - On time arrival of vehicles at customers designated delivery points
  - Strengthening the capacity in providing the numbers of vehicles as per customer requirements.
  - Improvement of vehicles tracking in transit.
  - Reduction in the possibilities of goods missing/damage/loss in transit.
  - Method of receiving and ways of issuing goods within timing.
  - More safety in work station when safety KPIs results good achievement
  - Inventory is more easier to count and pick
  - Timely Feedback
  - Clear Lead Time
  - Trying to minimize as much detention charges as possible
  - Keeping detail information of the consignments
  - Business improvement

These are some of the areas in which vendors improved significantly after Nestlé initiated their KPI measurement. Thus, KPI is undoubtedly an effective tool that not only benefits Nestlé but also creates immense positive impact on suppliers' performance and operations.

- Another question was to share their valuable opinion regarding KPI measurement of Nestlé, that is, to what extent it will be effective and beneficial to them. In response the following responses were discovered:
  - By KPI measurement of Nestlé, vendors can standardize their service and also can achieve and meet customer's ultimate satisfaction. This satisfaction leads

to gain repeat orders as well as new business scopes for the suppliers which is ultimately beneficial.

- The KPI sets the standards of work and influences vendors to achieve the given target as it provides them with more business opportunities. Once KPI achieved it also increase self-confidence level of the suppliers.
- It is really good for them to keep the records of individual and month wise consignment along with each and every key point. Thus, KPI is strongly valuable for them.
- Regarding the Improvement of KPI measurement, if the shipment plan is shared with them a day before then they will be able to deliver the products at the distribution centre within the estimated time. And also if the loading system can be developed it will be easy for them to fulfil the KPI target.
- Nestlé can arrange monthly meetings with the vendors and accordingly can discuss regarding KPI improvement more in detail.

### **Open ended questions' answer summary for “Questionnaire for New Vendors” –**

For this questionnaire also, two open ended questions were present and accordingly their interpretation goes below:

- The first question was to know about the area/s in which KPI should be measured, according to them, to get a best progressive result in their performance level. Based on the level of concentration each vendors suggested their feasible measuring areas:
  - Downtime Ticket
  - Response time
  - Service Availability
  - Quality of Service
  - Reliability and Security
  - Alignment
  - Accuracy
  - Commitment
  - Maintenance of proper and timely communication
  - Support
  - Priority

- The second question was again the same which is to share their valuable opinion regarding KPI measurement of Nestlé, that is, to what extent it will be effective and beneficial to them. Since KPI is not implemented on this group of respondents thus it was crucial to get a view regarding how these vendors will observe the matter of measuring KPI. Accordingly the responses are:
  - It will help them to improve their service level
  - They appreciate this KPI measurement of Nestlé. By following this procedure they will be able to find out the area/s where they should focus and work further to develop.
  - Nestlé's business is growing and changing and accordingly its KPIs should evolve as well.
  - Definitely it will carry value for individual personnel and company independently as improvisation and motivation both get shaped by this measurement.



## 4.8 Recommendation

Based on the conducted survey, there are certain recommendations to be shared regarding KPI. Thus, it might rather be considered as other insights gained through this study. Such recommendations can be:

- ✚ The number of samples was not large enough to present more reliable findings. This is mainly because; KPI is measured with few suppliers only with whom Nestlé works extensively. Therefore, from these small respondents groups the outcome may not be considered dependable enough to proceed for any crucial decision. Thus, KPI should be established to other sectors also so that when surveyed a reliable figures of samples can be studied to get a more accurate result.
- ✚ The suppliers may not participate fully or to greater extent fearing any negative implication they might face on their relationship with Nestlé. Thus the responses may not be the ones that are actually associated with the real scenario. Therefore Nestlé should conduct such actual studies so that the real outcomes, both positive and negative, can be observed and discussed duly with respective vendors to further avoid any obligation.
- ✚ Nestlé Bangladesh should also ensure that it does not create any negative or adverse impact on its suppliers due to the implementation of KPI measurement process. They should also ensure the reason/s if any particular vendor is unable to meet the set standard target of the KPI consistently. They should also certify that the probable problems are dismissed and solved accordingly so that suppliers can perform smoothly without any obligation.

## 4.9 Conclusion

Nestlé is one of the Leading Nutrition, Health and Wellness Company that focuses on the core factor of benefiting and satisfying its consumers by serving the best quality products. Thus its operations do not focus only for internal gains and growth rather it moves with the vision of benefiting every other stakeholder involved with it. Nestlé Bangladesh always shares the view of growing together where it supports not only its internal members but also the external ones to flourish with good growth degrees. In Nestlé Bangladesh, every employee and staff is considered to be a part of the Nestlé family where they work as a team sharing the similar objective of ensuring continuous excellence. Like all other departments, Supply Chain possesses the most structured and mannered systems so that its members can operate with great efficiency.

The survey conducted for this report proved really helpful as it gave various insights and dimensions that both groups of suppliers conserve regarding the KPI measurement of Nestlé Bangladesh. In majority questions all the respondents gave positive responses in defining how NBL actually contributes in the improvement of the suppliers' operational level. The vendors strongly feel the positive impact of KPI that drove them towards working with better precision and accuracy. All these became visible through this survey, accordingly.

This particular report gives an overall view of my internship journey I completed within the stated time period. The key roles, duties and responsibilities I followed are well defined here with proper detailing. I gained a handful of great new experiences that escalated by core competencies to new heights. I am more of interested, right now, to explore further potential opportunities in the Supply Chain sectors. Thus, all such skills I gathered from NBL actually changed my perception towards this supply chain field which grew more curiosity within me to work for this sector, undoubtedly. Therefore, the objective of the report, especially the survey, is actually fruitful as it will be shared by NBL Supply Chain team also for their knowledge and finding on the view of suppliers on KPI.

# 5 Achievement

## 5.1 Business Partners' Meet 2016



Fig 10: Greatness Card and Nescafe Combo Pack

Nestlé Bangladesh recently organized “Business Partners’ Meet 2016” program. The Services and Indirect Materials Procurement team arranged for a half-day long interactive session for their key suppliers on October 26<sup>th</sup> 2016 at the Head Office in Tejgaon, Dhaka. The event was focused on the aspects and importance of responsible sourcing, and highlighted how such practices can be beneficial for both parties and ensure a sustainable partnership in the future. Representatives of the organizations across multiple categories were introduced to how Nestlé is geared towards mutual development, and how Nestlé’s growth can translate to growth for their businesses as well. The program also covered different aspects of Safety, Health and Environment practices for business partners of different categories and shed light on the undertaking they have all provided to abide by the Nestlé Supplier Code. In addition to that, the Procurement Process, which covered Quality Assurance, KPIs, and the Vendor Payment Process, was discussed and the issues faced by various vendors were brought up by them in discussion and were clarified by the concerned people.

Thus, for being a part of this very successful event I was awarded with the “**Nestlé Greatness Card**” along with a Nescafe combo pack which comprises of a coffee jar and all-time favourite the Nescafe Red Mug. Along with my team members, I was also assigned with many vital task and responsibilities for the great completion of the event. Through this program, I gained significant amount of competencies in organizing corporate events. My learning was from every single step from the scratch and I observed a great team synergy that derived us toward more precision and increased collaboration in every phase of preparation. The outcome was really fruitful as the ultimate motive of the event was achieved. Overall I acquired a lifetime experience that will aid my strongly in my upcoming future prospects.

# 6 Supplementary Part

## 6.1 Appendix

### 6.1.1 Questionnaire for Existing Vendor:

#### **SURVEY ON KPI**

*Hello there. This questionnaire is designed to make a survey on Key Performance Indicator measurement by Nestlé. We appreciate your warm co-operation. Thank you.*

1. Do you think it is important to measure KPI to improve your performance level?
  - a. Yes
  - b. No

If no, then why?

---

2. Are you satisfied with the existing process Nestlé follows to measure your KPI?
  - a. Yes
  - b. No

If no, then why?

---

3. To what extent Nestlé's KPI measurement process helps you to improve your operational activities?
  - a. Strongly
  - b. Moderately
  - c. No effect

4. Can Nestlé help you to develop your performance, through KPI, so that you can operate well?
  - a. Yes
  - b. No

If yes, then in what ways?

- 
5. Are you supporting the drawbacks you face if you miss the set target of KPI?
- a. Yes
  - b. No
6. Reaching the highest or full target does really motivate you to work with perfection?
- a. Yes
  - b. No.
7. If yes, then to what extent it is motivating?
- a. Strongly
  - b. Moderately
  - c. No effect
  - d. Demotivating
8. If no then why it is not motivating to you?
- 
9. In what area/s you improved significantly especially after Nestlé's KPI measurement is introduced?
- a.
  - b.
  - c.
10. Please share your valuable opinion regarding KPI measurement of Nestlé, that is, to what extent it is effective and beneficial to you.
-

## 6.1.2 Questionnaire for New Vendor:

### Survey on KPI

*Hello there. This questionnaire is designed to make a survey on Key Performance Indicator (KPI) measurement by Nestlé. KPI is measured by Nestlé to identify the performance level and also to improve the efficiency of its respected suppliers. We appreciate your warm co-operation. Thank you.*

1. Do you know that Nestlé measures KPI of suppliers with whom it works regularly?
  - a. Yes
  - b. No
  
2. If Nestlé intends to measure your KPI, will you be interested to participate?
  - a. Yes
  - b. No
  
3. To what extent, you think, KPI measurement can result in improved efficiency of your performance?
  - a. Strongly
  - b. Moderately
  - c. No effect
  
4. In what areas your KPI should be measured, according to you, to get a best progressive result in your performance level?
  - a.
  - b.
  - c.
  
5. Do you think that reaching the highest or full KPI target will really be a motivating factor to work with greater efficiency?
  - a. Yes
  - b. No
  
6. If yes, then to what extent it can be encouraging to you?



- a. Strongly      b. Moderately      c. No effect      d. Demotivating

7. If no then why it will not be a motivating factor to you?

---

8. Not reaching the KPI standard target may result drawbacks in few areas. To what extent, is this supportive to you?

- a. Strongly      b. Moderately      c. No effect

9. Please share your valuable opinion regarding KPI measurement of Nestlé, that is, to what extent it will be effective and beneficial to you.

---

## 6.2 Bibliography

1. (n.d.). Retrieved 12 2, 2016, from Nestle Global:  
<http://www.nestle.com/aboutus/history>
2. Croxton, K. L., Dastugue, S. J., & Lambert, D. M. (2001). The Supply Chain Management. *The International Journal of Logistics Management* , 12 (2).
3. Zigiariis, S. (January 2000). Supply Chain Management. *Innoregio Project* .