

NEWSLETTER

Arête

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Arête Vol 52

Dear reader, we are delighted to bring you yet another edition of Arête. We have endeavoured to make each edition of Arête as fresh and content rich as possible. This time around we have added new case studies and knowledge nuggets, which we're sure you will find intriguing and enlightening. Please feel free to share your thoughts and views by writing to us at knowledge@ssa-solutions.com
Happy reading!

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Chairman's desk



Dear reader,

Welcome to a new edition of Arete! In this edition, we feature a case study on *Implementation of Demand Driven Material Requirements Planning* at a retail chain in UAE. In the Knowledge nugget section, we present a piece on the concept of “Milk Run”, which is important from an Extended Lean Value stream perspective.

We have also shared my playlist on the subject “Enigma of Lean” for the benefit of all our subscribers. To emphasize on the need for a Profit Leadership mindset, I have launched a playlist on my YouTube channel with 3–5-minute clips. The link to the playlist has been shared.

We welcome Mr. Ali Mohammed Juma Al Lawati, who has joined SSA as a Senior Partner in the GCC region. In the Useful resources section, we have shared an Excel template on *Process Management Chart* which is a very important and helpful tool in managing and monitor new or re-engineered processes.

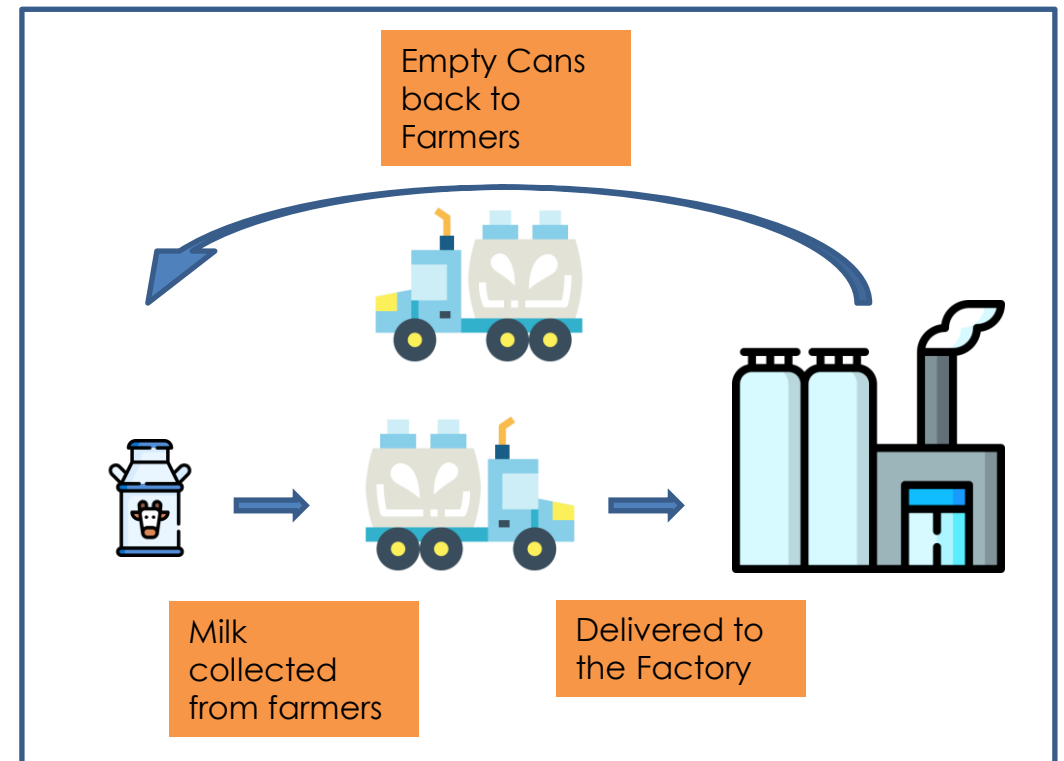
Wish you a happy reading and, as always, I welcome your feedback!



Knowledge Nugget: Milk Run

What is Milk Run?

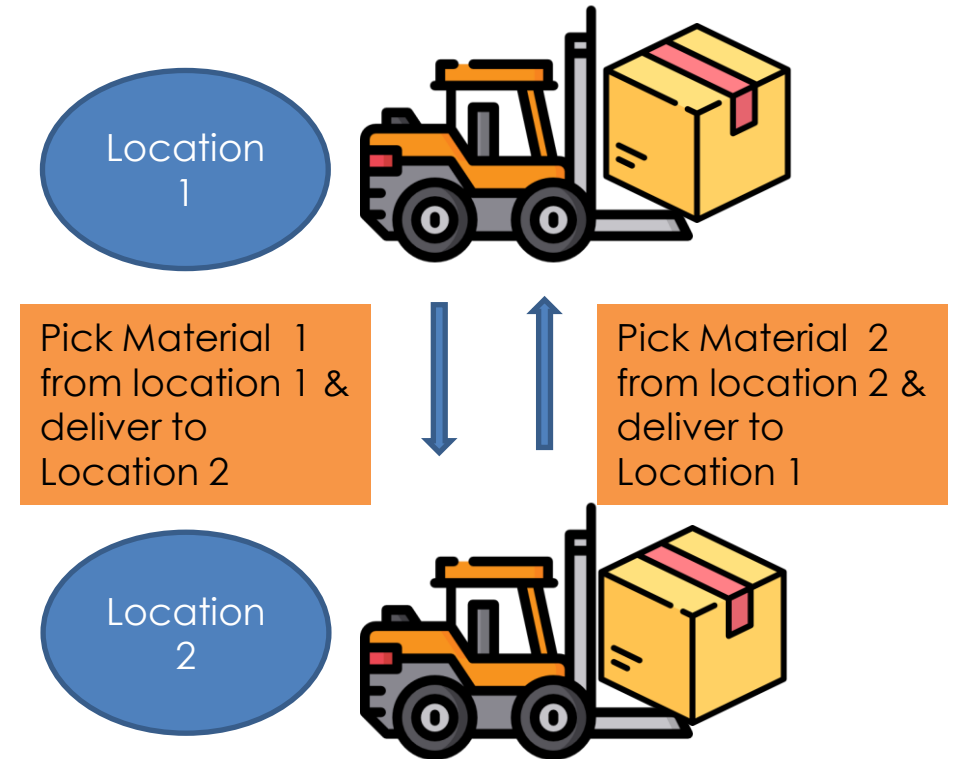
- In the early 20th century, milk distributors developed a method to save on transporting goods from farms to the filling companies.
- In this feature, instead of the producer taking his product, which increased the price due to freight, the cooperatives collected the demand, reducing the cost.
- To speed up the work, a wagon passed through all the producers, collecting standardized milk cans. That way, they could exchange the empty cans for the floods with any manufacturer that was in the path of the planned route.
- This procedure is generally used by industries in the automotive sector that are based on the JUST-IN-TIME system, which enables cost reduction with high performance and on-time deliveries.



Knowledge Nugget: Milk Run

How does the Milk Run System work?

- The Milk Run system has a single means of transport to collect the materials at each of the points planned in the routing of the fleet.
- At this stage, the routes and times are also defined, which must always be respected.
- Unlike traditional methods, where the supplier is responsible for delivering the cargo to the customer, the milk run process leaves one commodity and takes another.
- Thus, the company saves on transportation costs.



Knowledge Nugget: Milk Run

Advantages of Milk Run

- Decreased inactive loads.
- Reduction in the rate of malfunctions.
- Flexibility and agility.

Implementation Challenges of Milk Run

- Need for synchrony between suppliers and customer demands.
- Possibility of loss of credibility with producers.
- Commitment to all stages of milk run, avoiding delays in the availability of inputs and in the manufacture of products.

Case Study: Pilot deployment of DDMRP at a retail chain



Situation:

ABC is a well-established company in the food and retail sector. Recently, they have been expanding and opening new branches across UAE. One of the critical issues that is plaguing the company is that of inventory management. Typical issues of high amount of inventory (of unneeded items) and critically low stock of items in demand were rampant issues that the company faced along with the crunch of working capital



Actions Taken:



In order to tackle the prevalent issues regarding the inventory management, DDMRP system was proposed as a viable solution

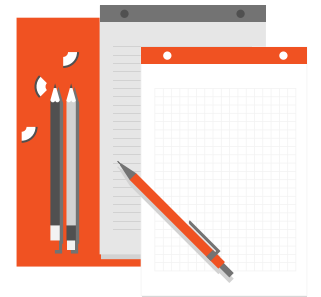
One of the branches and a demand-mixture of SKUs were shortlisted to be a part of the pilot program



Objectives:



- To introduce the planning and procurement team of the company to the DDMRP principles
- Use a excel based DDMRP system to control the procurement decisions of the shortlisted SKUs and assess the system

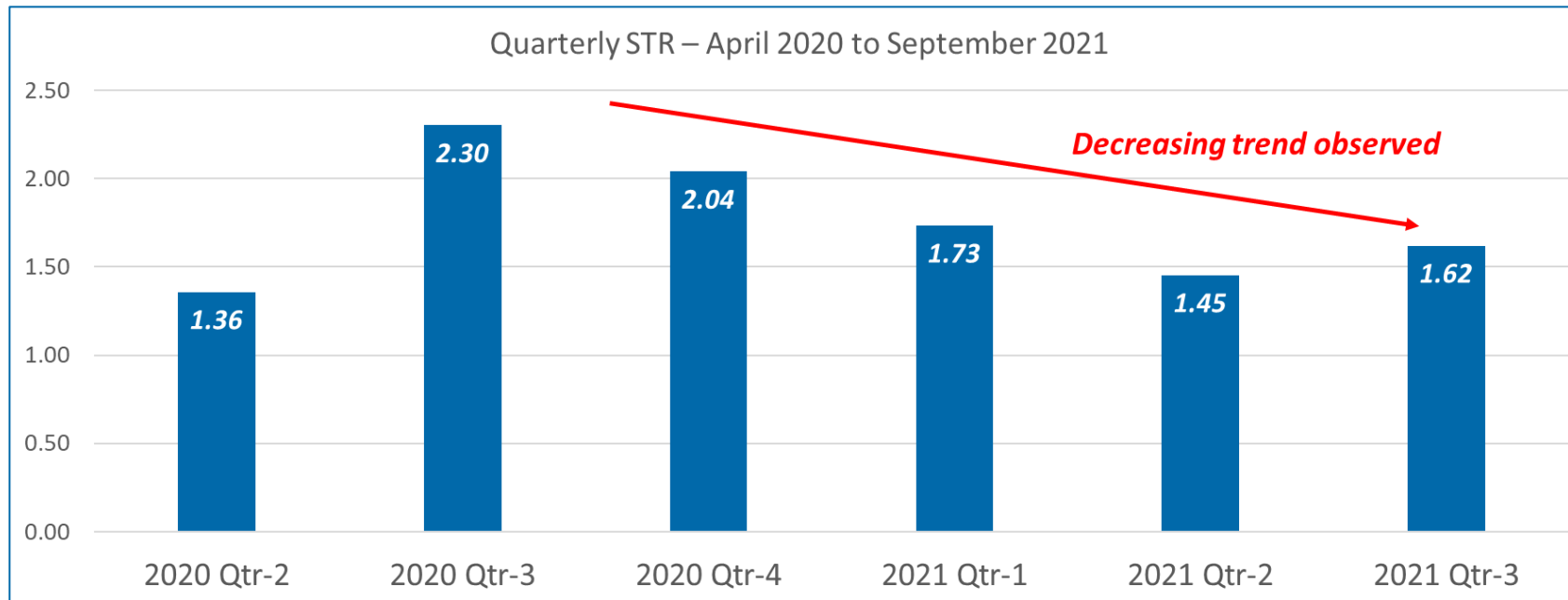


Situation – Deep Dive



- ABC is a prominent player in the food retail sector in UAE with three major branches in the 3 emirates
- Inventory management was one of the core issues that the company faced as can be seen in the deteriorating quarterly stock turnover ratio

$$\text{Quarterly STR} = \frac{\text{Total COGS in the quarter}}{(\text{Opening stock} + \text{Closing stock for the quarter})/2}$$



Actions Taken – Deep Dive

- The planning and procurement team at the ABC company was trained on the basics of the DDMRP principles over a period of 8 hours
- Branch XYZ was selected for the location of pilot project.
- A total of 494 SKUs supplied by two major suppliers were decided to be taken as a part of the pilot deployment
 - This facilitated ease of operations for the planning team
 - With all the SKU covered from a supplier, the list is expected to have a mix of fast- and slow-moving items

Supplier	Total SKUs
S0054	134
S0046	360
Total	494



Agenda of the training:

- Business relevance of inventory
- KPIs to monitor inventory management
- Understanding why inventory gets accumulated
- Class Activity – Cola game
- DDMRP fundamentals

Actions Taken – Deep Dive

Creation of excel template:

An excel template was created for procurement planning based on the DDMRP principles. The template was customized to fit the need of the ABC company and make the information transfer from the current ERP system to the excel template seamless

Item Code	Item Category	UoM	Red Zone	Yellow Zone	Green Zone	Adjustment Factor	TOR	TOY	TOG	SOH	Pending POs	Net flow Position	Net flow Alert	Procurement Decision	Recommended Qty to procure	Actual Quantity procured
201000009291	CHEESE & MARGARINES	1X870 G	0.00	0.00	6.00	1.00	0	0	6	1	0	1	16.7%	DON'T PROCURE	NA	NA
5290036003297	CHEESE & MARGARINES	1X200 G	48.43	25.07	27.00	1.00	49	75	102	0	0	0	0.0%	PROCURE	108	108
5700426230153	CHEESE & MARGARINES	1x1 ltr	5.46	1.60	10.00	1.00	6	8	18	2	0	2	11.1%	PROCURE	20	20
5711953000782	CHEESE & MARGARINES	6X18 G	6.65	2.76	18.00	1.00	7	10	28	19	0	19	67.9%	DON'T PROCURE	NA	NA
5711953001406	GHEE & SHORTENING	1X1 L	154.25	104.71	83.77	1.00	155	260	344	905	0	905	263.1%	DON'T PROCURE	NA	NA
5711953005251	BEVERAGES	1X220 ML	3.86	0.80	10.00	1.00	4	5	15	0	20	20	133.3%	DON'T PROCURE	NA	NA
5711953005275	BEVERAGES	1X220ML	7.49	3.47	10.00	1.00	8	12	22	5	60	65	295.5%	DON'T PROCURE	NA	NA
5711953005305	BEVERAGES	1X1 PCS	4.29	1.33	12.00	1.00	5	7	19	39	0	39	205.3%	DON'T PROCURE	NA	NA
5711953022500	CHEESE & MARGARINES	1X150 G	4.96	1.78	14.00	1.00	5	7	21	18	0	18	85.7%	DON'T PROCURE	NA	NA
5711953023064	CHEESE & MARGARINES	1X150 G	3.88	1.33	14.00	1.00	4	6	20	22	0	22	110.0%	DON'T PROCURE	NA	NA
5711953023095	CHEESE & MARGARINES	1X150 G	4.59	1.78	12.00	1.00	5	7	19	8	0	8	42.1%	DON'T PROCURE	NA	NA
5711953023118	CHEESE & MARGARINES	1X150 G	3.22	1.16	14.00	1.00	4	6	20	15	0	15	75.0%	DON'T PROCURE	NA	NA
5711953024252	JUICES & DRINKS	1X220 ML	2.92	0.80	10.00	1.00	3	4	14	0	20	20	142.9%	DON'T PROCURE	NA	NA
5711953024290	CHEESE & MARGARINES	1X250 ML	4.87	1.51	8.00	1.00	5	7	15	5	0	5	33.3%	PROCURE	8	8
5711953026096	CHEESE & MARGARINES	1X250 ML	6.21	2.13	8.00	1.00	7	10	18	7	8	15	83.3%	DON'T PROCURE	NA	NA
5711953030611	CHEESE & MARGARINES	1X200 MI	44.31	22.93	27.00	1.00	45	68	95	3	81	84	88.4%	DON'T PROCURE	NA	NA
5711953031144	CHEESE & MARGARINES	1X200 G	6.87	2.84	6.00	1.00	7	10	16	11	0	11	68.8%	DON'T PROCURE	NA	NA
5711953032929	CHEESE & MARGARINES	1X200 G	2.99	0.98	14.00	1.00	3	4	18	2	14	16	88.9%	DON'T PROCURE	NA	NA
5711953038198	CHEESE & MARGARINES	1X200 G	6.69	2.40	20.00	1.00	7	10	30	0	40	40	133.3%	DON'T PROCURE	NA	NA
5711953040603	SAUCES & PICKLES	1X500 ML	14.28	7.82	10.00	1.00	15	23	33	39	0	39	118.2%	DON'T PROCURE	NA	NA
5711953040627	SAUCES & PICKLES	1X500 ML	10.49	4.98	10.00	1.00	11	16	26	9	0	9	34.6%	PROCURE	20	20
5711953040665	CHEESE & MARGARINES	1X1000 ML	8.45	1.96	10.00	1.00	9	11	21	1	0	1	4.8%	PROCURE	20	20
5711953041020	DAIRY PRODUCT	1X250 ML	3.15	0.80	8.00	1.00	4	5	13	0	16	16	123.1%	DON'T PROCURE	NA	NA
5711953063497	CHEESE & MARGARINES	1X200 G	0.00	0.00	14.00	1.00	0	0	14	0	14	14	100.0%	DON'T PROCURE	NA	NA
5711953067822	JUICES & DRINKS	1x1LTR	22.86	8.53	10.00	1.00	23	32	42	-1	50	49	116.7%	DON'T PROCURE	NA	NA
5711953072307	JUICES & DRINKS	1x1LTR	17.03	8.27	10.00	1.00	18	27	37	33	0	33	89.2%	DON'T PROCURE	NA	NA

Pilot Assessment

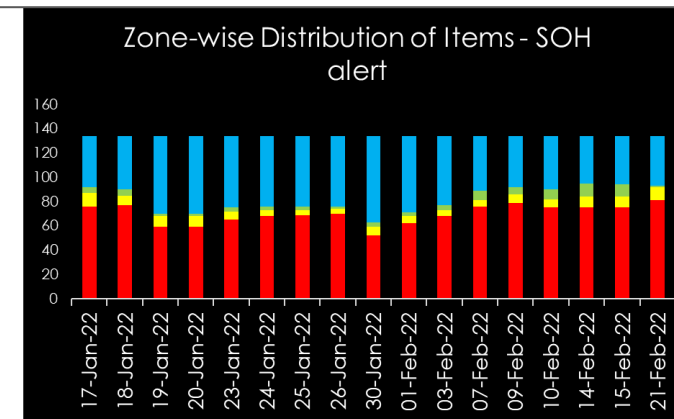
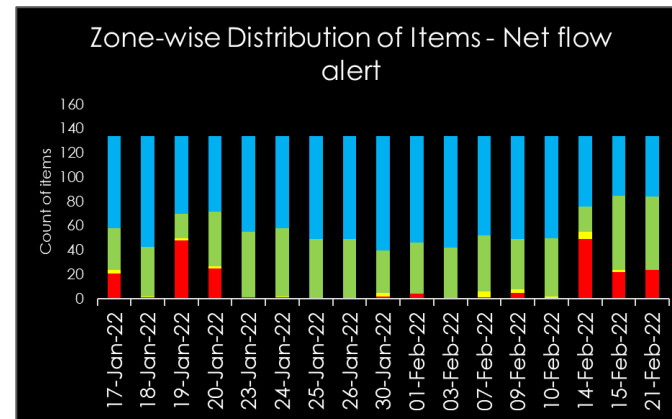
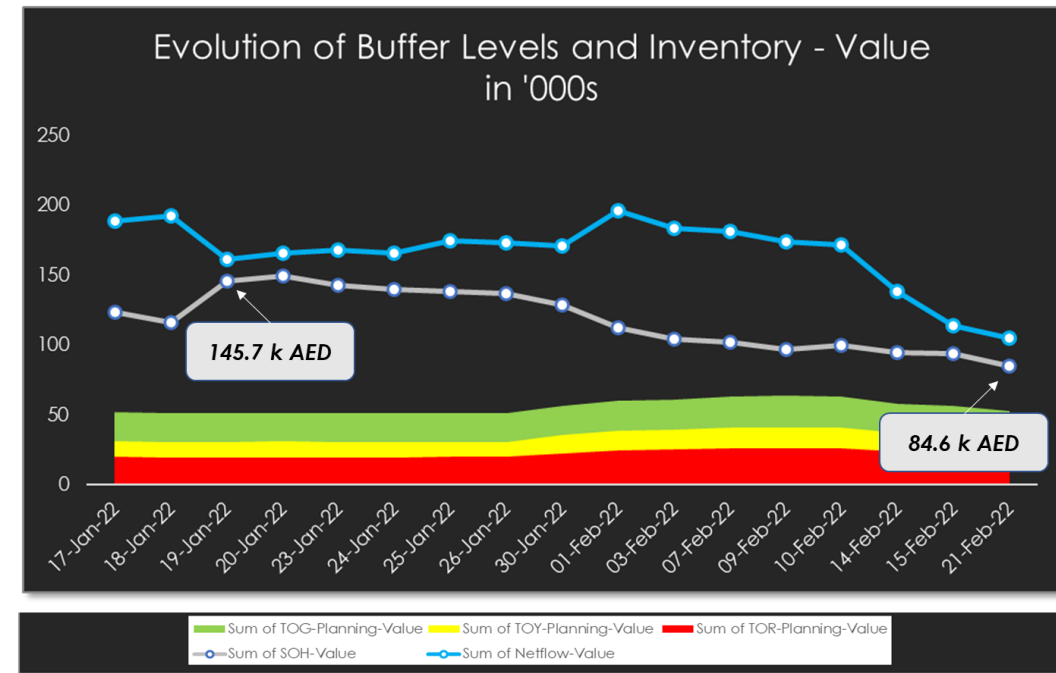


The pilot DDMRP system facilitated the following:

- Reduction in the inventory for the overstocked SKUs
- The procurement was now better linked to the market demand through the DDMRP system
- Supply related issues like delayed deliveries were clearly highlighted through the DDMRP system

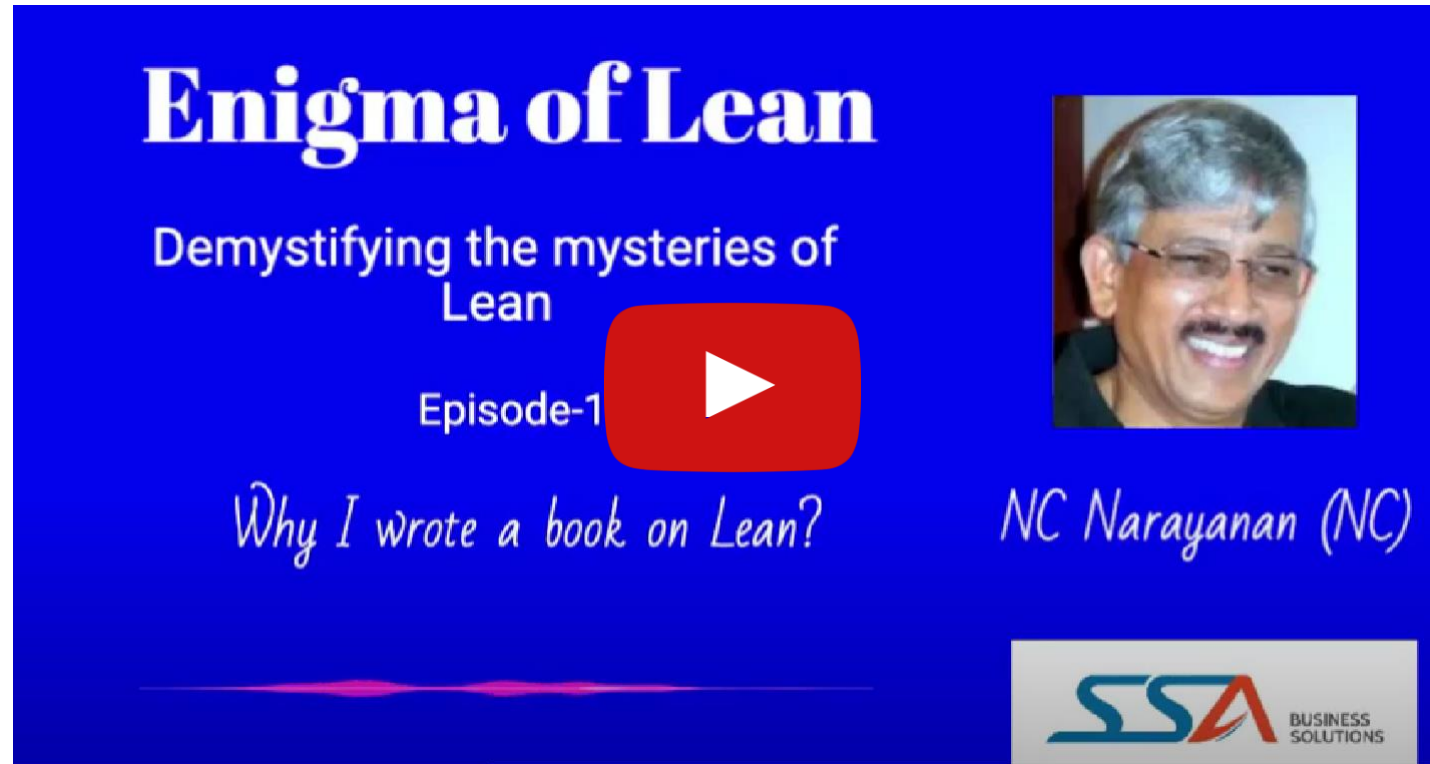
Overall, a better control was gained over the procurement and thus the inventory management of the SKUs


Supplier 1 results




Color coded indicators made it easier to figure out problem areas like delayed deliveries

Knowledge Nugget: Enigma of Lean series



Enigma of Lean
Demystifying the mysteries of
Lean
Episode-1 
Why I wrote a book on Lean?
NC Narayanan (NC)



The image is a YouTube video thumbnail with a blue background. It features the title 'Enigma of Lean' in large white font, followed by the subtitle 'Demystifying the mysteries of Lean' and 'Episode-1'. A red YouTube play button icon is positioned over the text 'Episode-1'. Below this, the video title 'Why I wrote a book on Lean?' is written in a white cursive font. To the right of the text is a portrait of NC Narayanan, a man with grey hair and glasses, smiling. At the bottom right, the SSA Business Solutions logo is displayed, consisting of the letters 'SSA' in a stylized font with 'BUSINESS SOLUTIONS' written below it.

NC Narayanan, Founder Chairman – SSA Group of Companies, in his Enigma of Lean series, explains how Lean can be used as a vehicle for transforming the entire organization to achieve a competitive edge.

Profit Leadership Series



NC Narayanan, Founder Chairman – SSA Group of Companies, in his Profit Leadership series, explains why a Profit Leadership mindset is crucial to the growth of any organization and how leaders can arrest the declining ROI in today's times!

News



BREAKING NEWS

SSA International LLC welcomes Mr. Ali Mohammed Juma Al Lawati as a Senior Partner to play a key role in driving strategic growth to the firms in GCC

Useful Resources

In this edition, we share an Excel template on **Process Management Chart**.

The Process Management chart helps in:

- Creating brand-new processes or modeling better processes
- Enabling optimal efficiency and repeatability of a process by allowing you to standardize a process by documenting it for better quality control, process understanding, and training of employees,
- enabling effective communication and collaboration, that communicate to several roles within or outside the organization,
- showing step by step process of a project, as well as the responsibility of each member, control chart type, actions to be taken, etc.

Process Management Chart								
Project Title								
Process Step	Metric	UoM	Responsibility <small>(Who will record?)</small>	Frequency of Recording	Control Chart Type	What to Respond to	Who Responds	What Action will they take

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