

**B1**

Session

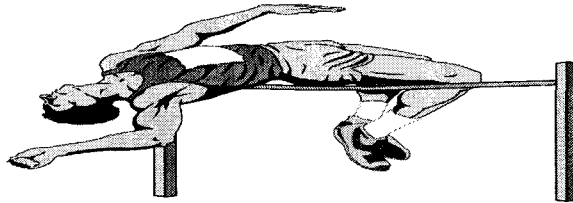
한국 P&G의 물류혁신 추진 사례

김성욱 부장 (한국 P&G)



## **P&G Logistics / Go To Market Strategy**

2002. 10. 9

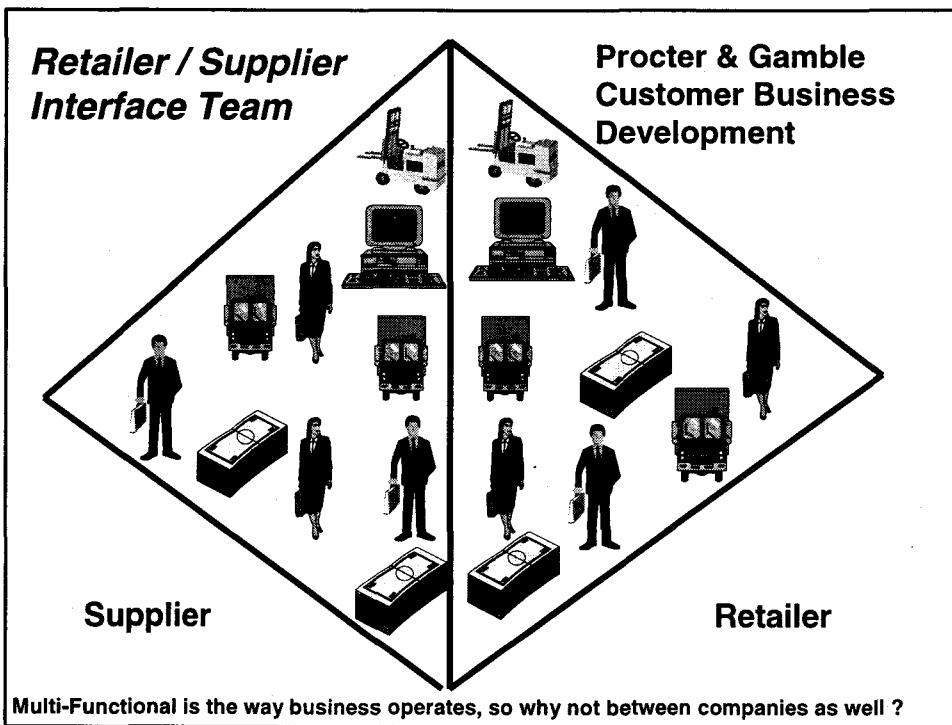
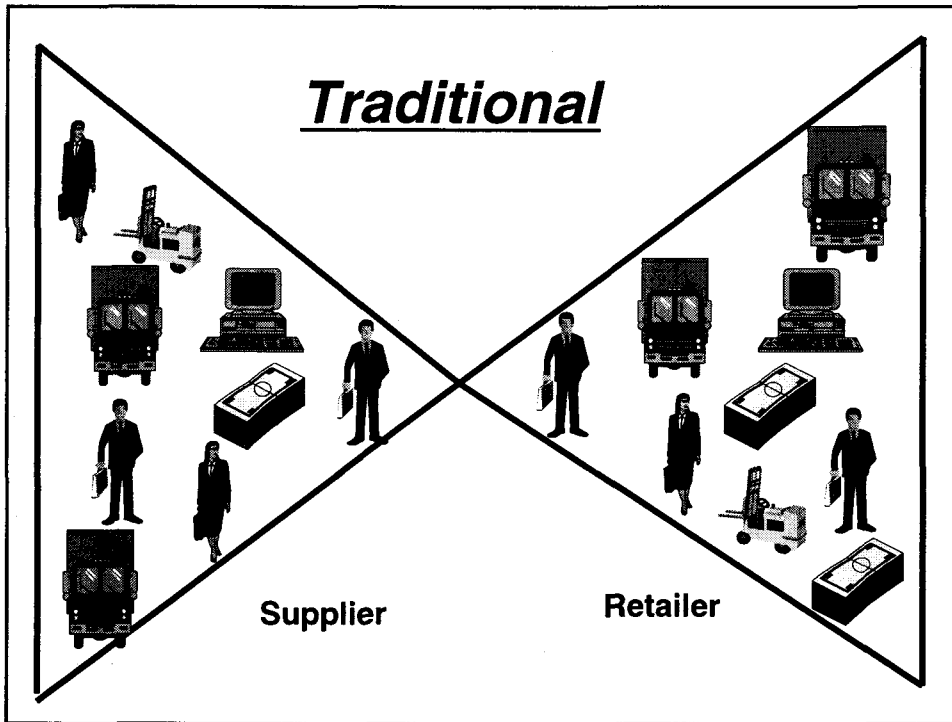


**P&G**

## **P&G Korea Customer Logistics Strategy**

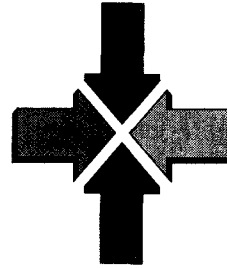
- Multifunctional CBD
- Centralized Order Processing
- Streamline Distribution Network
- Logistics Efficiency Based Pricing
- Efficient Replenishment





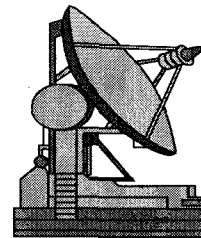
## **Multifunctional Customer Business Development**

- **Improve Customer Logistics Interface : Basic Reliability**
- **Standardize / Streamline Logistics Process : Vendor Managed Inventory, ECR Logistics Scorecard, EDI**
- **Improve Consumer Value**



## **Centralized Order Processing**

- **Total Order Management**
- **CSR as a SPOC**
- **Separate Merchandising, Order Handling, Collection**
- **Multifunctional Customer Business Development**



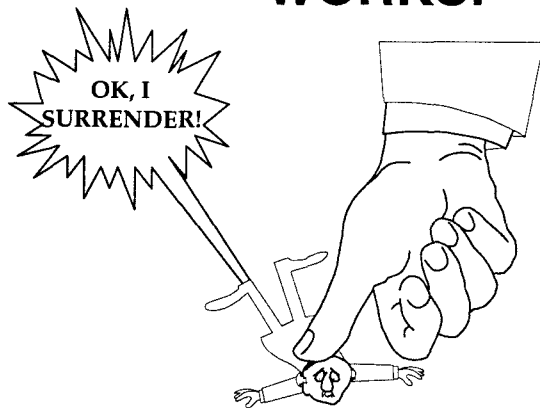
## **Streamline Distribution Network**

- **Distribution Network Simplification**
  - 1 is better than 2
  - Less inventory better service
  - Minimum Order Quantity (MOQ)
- **Physical Distribution**
  - RTCIS
  - Drive-in Rack
  - Automated receiving/picking, truck routing, location control system
  - Global Standard EAN Bar Code,UCC/EAN 128, Pallet
  - Cross Docking
  - Robot Palletizing System
  - Product Recall Process
  - Standard Operating Procedure

## **Logistics Efficiency Based Pricing (SLOG)**

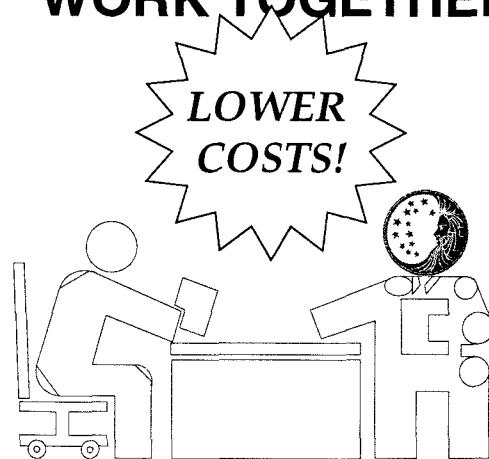
- **Minimum Order Quantity (MOQ)**
- **ABC based Cost Justified Logistics Discount**
- **Producing Plant Palletized Delivery**
- **Multi Stop**
- **One Single Transparent Open Pricing**

**NEGOTIATION NEVER  
WORKS!**



**THE ONLY OUTCOME OF NEGOTIATION!**

**THE REAL WIN IS HOW WE  
WORK TOGETHER**



# **It starts with Transparency**

## ***New “Go to Market” Strategy - January 1999***

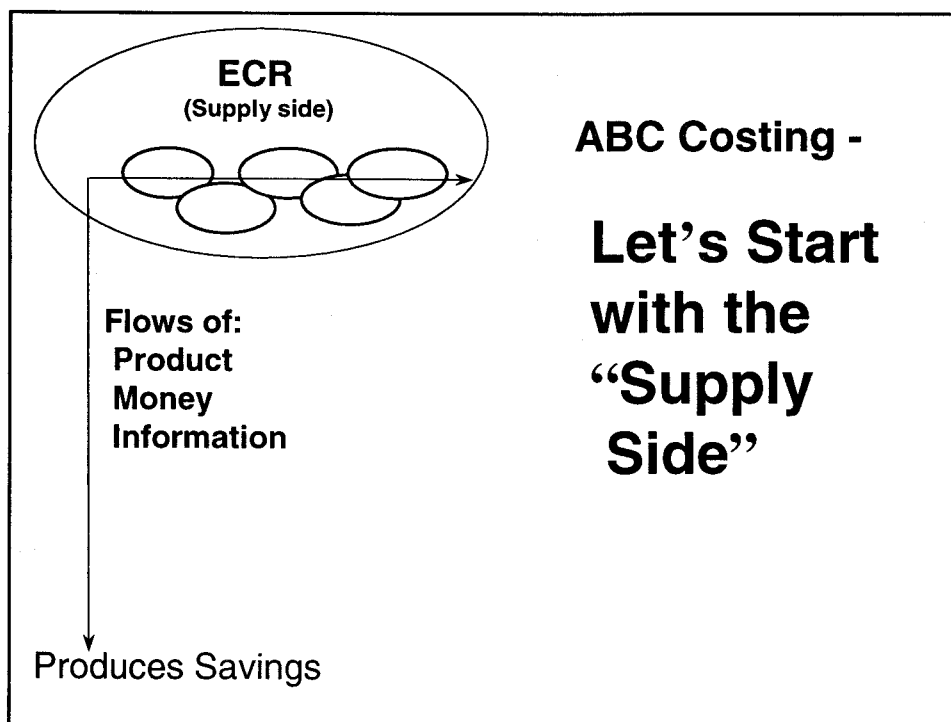
### **Objective**

- One transparent set of trading terms**
- Implementation of an Open Pricing policy**
- Terms based on logistics efficiency**
- Cost justified structure**
- Flexibility to meet market trends**



## ***“Go to Market” Program Highlights***

- **Removes all pricing “Bubbles”**
  - Eliminated most discounts
  - Reduce List Price across all items
- **Introduce a price bracket system to reward efficient practices**
  - Minimum Order Quantity
  - Price Bracket system based on order size
  - Shift from monthly volume basis to order basis
- **Introduce a Cash Discount program**
  - Reward early payment from customers



## **Where are the Costs ?**

### Order Acquisition



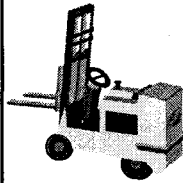
Vendor Refill  
Manual Order  
Elec. Data Interchange  
Data Integrity

### Freight , Transport and Receiving



Small loads  
Full trucks  
Customer Pick up  
Advanced Ship Notices  
Receiving Time

### Order Configuration



Eaches  
Inners  
Cartons  
Layers  
Unit Loads  
Pallets

### Payment



# of Invoices  
Claims  
Elec. Funds Transfers  
Cash Flow

## **Efficient Replenishment**

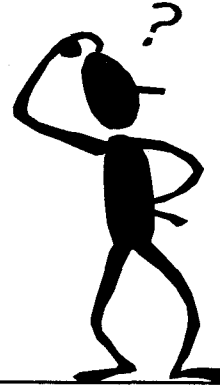
- Understand today's costs
- Determine where savings can occur
- Identify the savings potential \$\$\$
- Share the savings with our trading partners

P&G's Streamlined Logistics program

Vendor Refill	-0%	Minimum Order	- 0%
Manual Orders	- A%	Shipment size 1 - 2	- C%
EDI	- B%	Shipment size > 2	- D%

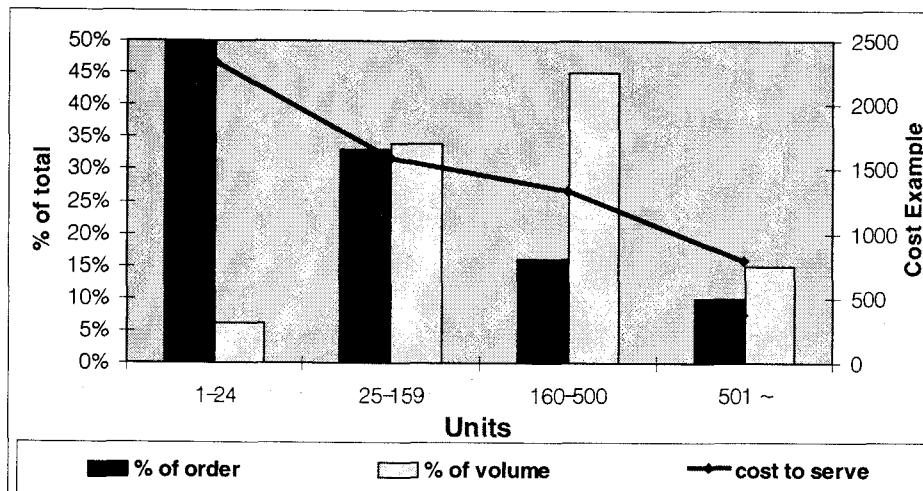
## Where is the best place to start?

- Order and volume relationship ?
  - # of orders
  - # of cases of each orders
- Cost to serve ?
  - cost to serve 1 case
  - cost to serve 500 cases



### Cost to Serve Findings

*Small orders case orders are expensive!*



**Example Data**

## **P&G Korea Price Bracket Structure**

	<b>Bracket I</b>	<b>Bracket II</b>	<b>Bracket III</b>
<b>Order Size</b>	<b>25 - 159 Cases</b>	<b>160 + Cases</b>	<b>Truckload Producing Plant</b>
<b>Truck Size</b>	<b>N/A</b>	<b>2.5 ~ 8 Ton Truck</b>	<b>11 Ton Truck *</b>

**\* Product must shipped as palletized unit loads**

## **Efficient Replenishment**

- **Global Standard EDI :PO, Despatch, Pricat, Invoice**
- **Vendor Managed Inventory : KARS**
- **Web Order Management.**

## **EDI Strategy**

- **Target Customer**

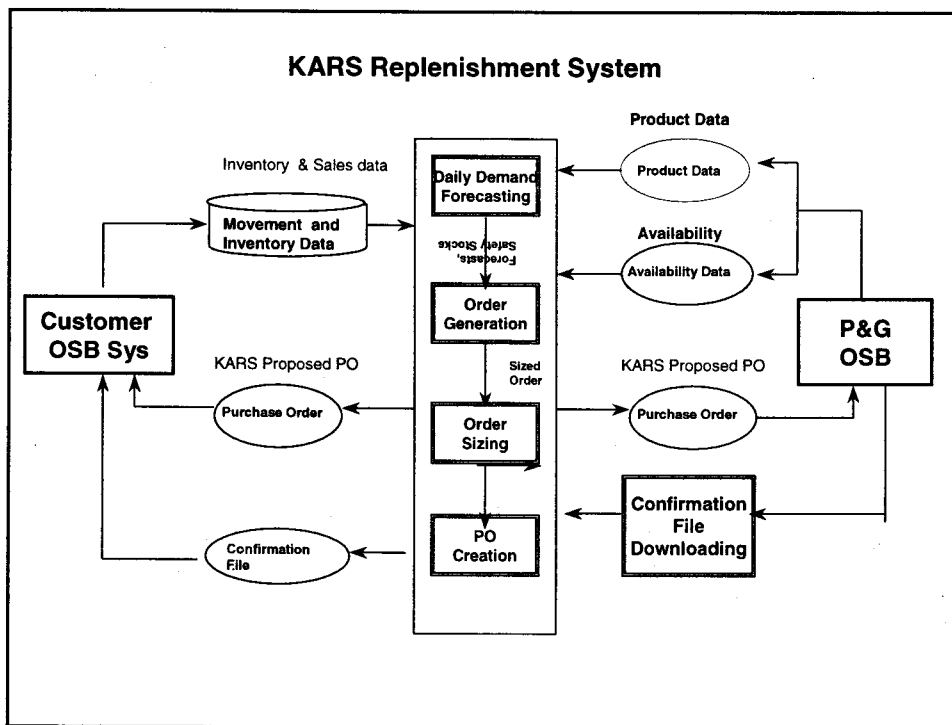
- Customer who has EDI infrastructure in place.
- Customer who utilizes current version of public EDI Standard(UNEDIFACT format through Dacom Van-provider).
- Customer who is willing to integrate data and produce quality Purchase Orders from their application system.

## **What Is KARS ?**

- **P&G global PC based MS Access Application that generate demand-based orders via customer supplied inventory and sales data**
- **KARS enables truck size orders based on product availability, ordering constraints and trucking constraints.**

## How Does KARS Work ?

- KARS resides on a P&G CSR's PC and customer send in daily inventory and weekly sales data that are required to upload to KARS.
- KARS generates PO and send back to customer for their confirmation and simultaneously it goes to country OSB system.
- Customer Invoice post back to KARS from OSB abd KARS sends to Customer via EDI.



## **What Is WOM ?**

- **A P&G Global Internet application that enables customer to enter high quality orders and review invoices online anytime, anywhere in the world.**
- **As a buyer enters an order, WOM checks order quality and sends them untouched to the appropriate P&G OSB system.**

## **Implementation Strategy ...**

- **Customer Assessment process**
- **Classify customers and apply the appropriate technology**
- **Implement Scorecard to track performance**
- **Share savings with the customer**
- **Multi-functional Team approach**

## ***Challenges / Barriers for Implementing ECR***

- ◆ **Trust - Fairness**
- ◆ **Industry Standards**
- ◆ **Information Sharing**
- ◆ **Resource Commitments**
- ◆ **Culture**
- ◆ **Measurement/Rewards**
- ◆ **Geographical Operation  
Differences**