



Colgate rethinks a supply chain

By Peter C. Witton

How do you eliminate waste and wring out costs when your operations are spread over 57 sites in 11 different markets? Colgate-Palmolive met this challenge in Asia with an ambitious overhaul of its regional supply chain and information systems.

When it comes to toothpaste in China, Colgate is the market leader, according to a recent AC Nielsen Media International survey on China's emerging consumer society. But in the shampoo category, a Colgate-Palmolive rival tops the list.

Driving sales through brand-building and smart marketing is as necessary for fast-moving consumer products companies in China and the rest of Asia as it is in the mature markets of North America and Europe. But in Asia, with its fickle tastes, falling prices and unpredictable competitors, the pressure to keep ahead of the pack—and make a proper return—is relentless.

The trick is to control tightly what can be controlled. The one area a consumer products company can be firmly in charge of is its own internal business processes. Eliminating waste and wringing out costs can have a dramatic effect, especially with the likes of shampoo, toothpaste and soap, where volumes are large but margins are tight.



In the past two years Colgate-Palmolive has rolled out an ambitious program to do just that in the Asia Pacific region. The company's entire supply chain was reengineered and new back-office systems were put in place with stunning speed—all the more remarkable considering that the undertaking involved 57 sites across 11 different markets, including China. As a result, these far-flung operations were transformed into a single, closely integrated organization.

Colgate-Palmolive's entire business-process reengineering effort—code-named Project Dragon—was accomplished without missing a single self-imposed deadline. All the while the company had to do battle in a furiously competitive marketplace that was being rocked by regional economic turmoil.

Well positioned

Today Colgate-Palmolive is following a new model. Subsidiaries throughout Asia use the same automated systems, whether they are handling orders or

managing credit. Sourcing has become more economical, with selected countries being the primary suppliers of products for the region. Supporting each market is a shared service organization providing region-wide information technology and financial functions.

The upshot is that one of the global leaders in consumer products is strongly positioned to win profitable market share as Asia's economies shake off the malaise of the past three years.

Colgate-Palmolive is famously coy when it comes to releasing facts and figures about its business. But according to Malaysia-based Barry Simpson, general manager of Asia Pacific Information Technology for Colgate-Palmolive and the man behind Project Dragon, the program has come in one-third under budget and "ahead in the savings we had scheduled."

Project Dragon was conceived and driven by both wider corporate goals and

specific Asian issues. The former included Colgate-Palmolive's strategy to allocate 60 percent of capital expenditures to cost-savings programs. Among the latter was the realization that there was no guarantee that the company could sustain its double-digit growth rates of the past few years, which, in part, had been due to the region's rising prosperity.

Many operational anomalies had also arisen in Asia over the years, with Colgate-Palmolive units in various countries conducting business in different ways. The result was a series of separate systems and procedures often unique to individual markets. This made it more difficult to obtain a more complete picture of the company's global finances—a crucial task, given the fact that 70 percent of Colgate-Palmolive's revenues come from outside the United States, a figure that is expected to grow.

To Simpson, who had led a similar reengineering effort in the United

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States, the goal in Asia was to streamline the production and distribution cycles. “To do this meant matching information flows,” he explains, “so that the right products were made at the right time and unwanted inventory did not sit on the shelf.”

This goal translated into three specifics: reengineer the entire supply chain, standardize business processes and build regional hubs for information technology and finance.

The first step was to decide where to base Project Dragon. Given the region’s cultural diversity and operational quirks, the question was crucial. Australia was too far away. Hong Kong and Singapore were convenient, but their markets were too small.

Malaysia was finally chosen because Colgate-Palmolive produced all categories of goods there, and the market was large enough to provide a valid test bed. The Malaysian government was also actively seeking IT investments in the country.

The strategy was to develop the overall plan from Kuala Lumpur and then roll out in Malaysia. Simpson assembled a core team in Asia to run the project. The company brought together Colgate-Palmolive people from the Philippines, Thailand, India and Malaysia and teamed with a multinational Accenture team from Australia and Asia. They quickly embarked on an intense five-month design phase.

From the beginning the idea was to avoid the notion of imposing a solution from “on high” and instead to encourage involvement from the subsidiaries. “We brought people from local subsidiaries to Kuala Lumpur for training and to be involved in the Malaysian rollout,” says Simpson. Having enthusiastic staff from one

market support their colleagues in another became a feature of the entire program.

According to Brian Strange, the Accenture client partner on the project, it was necessary to have a “quick win” to boost the project’s credibility within Colgate-Palmolive’s Asia Pacific operations. A decision was made up front to standardize the processes. Because of time pressures, specific features were added later.

The Malaysian rollout started in early 1997. A flurry of new finance, procurement, sales and distribution systems was introduced. Staff members—including warehousemen, production managers, shift supervisors, accounts clerks and sales teams—had to understand the new processes. The final weeks before the “big bang” implementation, set for July 1997, were characterized by workshops, coaching sessions with practice databases and a final full “day in the life” simulation.

Firm deadlines

As soon as Malaysia was up and running, attention moved to other markets. The unfolding regional economic crisis in mid-1997 encouraged Colgate-Palmolive to drive the project faster. Instead of doing one market after another, markets were rolled out simultaneously.

To Simpson, the key to successful implementation is “to copy, copy, copy” rather than reinvent. He estimates that 85 percent of Colgate experiences in the United States and Europe fit Asia. But he advocated accepting the “80 percent rule”: It was better to achieve 80 percent of the design requirement now than to wait for 100 percent and miss deadlines.

And deadlines were set in stone. “As part of the change-management process, we set up clear communica-

tions with country managers,” says Simpson. “They were told what was expected of them and were given a set of dates two years out.”

The rollout was aggressive. The final two markets, China and Hong Kong, went live in May 1999.

Each market offered its own challenges, although many had been identified in advance in Kuala Lumpur during visits by staff from the local markets. And in every market, systems had to be adapted to take account of local taxes and other official requirements.

Capturing orders, credit management and accounts receivable are among a host of functions that have improved. More crucially, better information flows make it easier to predict demand and therefore create better manufacturing schedules and, working back down the supply chain, to source materials more effectively.

In the wider picture, Project Dragon will allow Colgate-Palmolive to take advantage of the revival of Asia's economies. *The Economist* poll of forecasters has predicted that GDP growth in 2000 for the likes of India, Singapore, Taiwan and Malaysia should top rates achieved in 1999. With confidence returning, the battle for consumers' wallets will intensify. Colgate-Palmolive will be ready. ■

Peter Witton is a Hong Kong-based business journalist.

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