

Dabur India Limited

Dabur India Limited is one of India's leading Fast Moving Consumer Goods (FMCG) companies. Building on a legacy of quality and experience for more than 120 years, Dabur is India's most trusted name and the world's largest Ayurvedic and Natural Health Care company. Dabur has come a long way in popularizing and making a whole range of products based on the traditional science of Ayurveda easily available, and setting very high standards in developing products and processes that meet stringent quality norms.

Dabur currently has 16 ultra-modern manufacturing facilities spread throughout the globe. Its products are marketed in more than 50 countries.



The Challenges

In 2002, Dabur initiated the change management process by introducing a center-led procurement organization headed by their CPO, Mr. Jude Magima. The company felt the need to professionalize its sourcing and procurement activities. To accelerate and sustain this new initiative, Dabur engaged Ariba to implement a program that was focused on reducing costs, avoiding subjectivity and introducing transparencies and global best practices in its sourcing process. While the engagement began with Ariba Sourcing™, it expanded later to include category management capabilities as well.

Soon thereafter, Ariba's consulting services and technological capabilities helped to improve Dabur's gross margins despite inflationary trends. This initiative led to significant savings and expansion of the supplier base—especially for key strategic areas of spend. With that began the multi-phased spend management journey with Ariba that Dabur has continued through today.

First Phase Challenges

The chief objectives in the first phase of the Ariba engagement were cost avoidance and transparency, whereas the second phase was focused on process excellence and adoption of global best practices. In the six years since starting its spend management initiative, Dabur has used Ariba's various sourcing technology solutions as well as its consulting services for relevant market knowledge, category expertise and change management processes.

Dabur's spend management journey began with streamlining its sourcing process and supplier management. One of the biggest challenges during the initial stages was the **lack of an established, standardized and documented sourcing process**. Before the team implemented its Ariba initiatives, there were no internal scalable tools and methodology to facilitate sourcing in line with their sourcing strategy.

Another challenge, which was external-facing, was to enable its **suppliers both in rural and urban parts of India to participate in a transparent, dynamic and interactive negotiation process**. In some cases, there was a lack of technological advancement—like internet connectivity—and in others it was very little computer literacy. As this was a new way of conducting negotiations, Ariba assisted Dabur by teaching suppliers how to use computers and continued to remain an active part of Dabur's newly formed sourcing strategy.

Another external challenge that Dabur experienced was how to manage the **diverse set of suppliers** spread across the globe. The challenge was associated with dealing with suppliers of different cultures, who spoke different languages and were based in different time zones throughout the world.

User adoption of the new Ariba spend management solution was never an issue at Dabur. Through an effective mix of leadership, executive sponsorship and communication, Dabur mitigated any risk of internal resistance that is very often found.

Results

- Average savings of 10 percent across various categories
- Overall ROI from the initiative of 11 times
- Building a knowledge base of extensive category expertise
- High adoption of online sourcing within the organization
- Standardized sourcing process across categories



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The Solutions

First Phase Solutions

First Phase: Ariba Managed Markets and Ariba On-Demand Sourcing Basic

Dabur started Ariba's engagement by conducting several Ariba managed markets, where the Ariba team assisted Dabur with data collection in category-specific data collection templates, supplier research, data analysis that translated into a lotting strategy based on suppliers' capabilities, manufacturing locations, and Dabur's business needs and other strategic sourcing decision-making criteria, and building and publishing a category-specific total-cost RFQ to the approved potential suppliers. Ariba also assisted Dabur in the initial managed markets by conducting supplier management post-RFQ publication final price negotiations and then awarding the business to the successful suppliers.

Based on the multiple advantages of the initial managed markets, Dabur ramped up its spend management journey with the implementation of Ariba On-Demand Sourcing Basic technology along with full-time Ariba Consulting Services. This further helped Dabur's buyers to address both their strategic and indirect expenses, which included maize derivatives, sugar, logistics, and chemicals to name a few.

This first phase of spend management resulted in cost reduction, transparency and streamlining of the sourcing process. An example was the sourcing of saffron. Traditionally, Dabur sourced saffron from several suppliers based in India's northern-most state of Jammu & Kashmir. The market was a virtual oligopoly and every year suppliers would quote equal prices with Dabur allocating equal quantities to each of them. Ariba Sourcing Basic helped to bring visibility along with cost reduction, whereby the suppliers and Dabur could see the best quoted prices for the commodity. The result was transparency, meritocracy and enhanced efficiency in the system.

Since the rollout in December of 2002, Dabur has conducted 520 sourcing projects via Ariba Sourcing Basic with average savings of 10 percent across various categories.

Dabur was able to identify a better supplier base in China, South East Asia and Eastern European countries for various categories such as honey, air fresheners, juices, and packing materials to name just a few through Ariba's expertise in low-cost country sourcing. Ariba has also helped Dabur to avoid onshore inflation while expanding its supply bases and reducing costs.

Second Phase

Ariba On-Demand Sourcing Professional (Category Management)

Encouraged by the cost savings, the next logical move for Dabur was to focus on category-specific process standardization, visibility into its expenditures, risk monitoring and mitigation, knowledge management and informed decision making on both budgets and pricing.

To help achieve these goals, Dabur acquired Ariba On-Demand Sourcing Professional in August of 2006. Since implementing the technology, Dabur was able to enhance collaboration across various departments internally as well as amongst suppliers. The quality of

"Transparency and fairness in a buying process is as critical as cost avoidance; they are in fact synonymous to each other. Ariba solutions (services and technology capabilities) manage this need very well."

Jude Magima
Executive Director – Management Committee Member

decision-making, organizational buy-in, sourcing visibility, efficiency, process standardization, knowledge capturing and compliance were also enhanced considerably.

The Benefits

Currently, Dabur's sourcing organization is centralized and its sourcing processes are at a stage where they have been streamlined, mapped and organized around business outcomes.

The category-specific sourcing best practices are instilled within templates that were developed for sourcing raw materials, packaging materials, logistics services, import shipments and indirect spend. Twenty templates have been developed on Ariba Sourcing Professional to cover more than 3,000 categories in its portfolio, enabling the Dabur team to follow a standardized sourcing process.

Dabur has completed more than 340 comprehensive sourcing projects since November of 2006 and has built a team of 20 category managers who regularly use the tool. The category managers use Ariba Sourcing Professional to source major raw materials such as vegetable oils, maize derivatives, herbs, spices, sugar, and chemicals to name a few, and also for major packaging materials like paper, paper boards, flexibles, and more.

Ariba Sourcing Professional has ensured improved visibility and transparency into the entire sourcing cycle for Dabur from data collection to the business award of each category. It has also helped in risk mitigation of various categories, capturing knowledge, leveraging the learnings over the years and has also helped in identifying and classifying the best suppliers for key categories.

In the future, Dabur plans to use Ariba's solution for other areas, such as budget management process, tracking savings across the entire sourcing program, supplier enablement and new employee introduction.

This Ariba initiative is spearheaded at Dabur by Mr. Jude Magima, Executive Director & Management Committee Member. His team has realized significant cost reductions during this journey and continues to deliver. In recognition for his contribution towards making a fundamental difference in the way sourcing and supply management is practiced, he was awarded the 'CPO of the year' by a leading Indian academic body on supply chain management namely, Indian Institute of Materials Management.

About Dabur India Limited

Dabur India Limited is one of India's leading FMCG Companies. Building on a legacy of quality and experience for over 120 years, Dabur today is India's most trusted name and the world's largest Ayurvedic and Natural Health Care Company. Dabur India's FMCG portfolio today includes five flagship brands with distinct brand identities -- Dabur as the master brand for natural healthcare products, Vatika for premium personal care, Hajmola for digestives, Réal for fruit-based drinks and Anmol for affordable personal care business.

About Ariba

Ariba, Inc. is the leading provider of spend management solutions to help companies realize rapid and sustainable bottom line results. Successful companies around the world in every industry use Ariba Spend Management software and services. Ariba can be contacted in India at +91-124-413-5400, in the U.S. at 1-650-390-1000 or at www.ariba.com.