

JIT manufacturing at the core of an optimised FMCG supply chain

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The ability to manufacture 'just enough' stock to cover orders and deliver 'just enough' product to every retailer is the optimal supply chain scenario in the fast-moving consumer goods (FMCG) industry.



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This is known as Just in Time (JIT) manufacturing and delivery. However, while there are many benefits to this type of hyper-optimised supply chain, achieving it has historically proven to be challenging. Data analytics and insights lie at the heart of JIT, which requires line of sight throughout the supply chain as well as intelligent software. Armed with this knowledge, manufacturers are empowered with the ability to right-size their production for maximum returns.

Ad hoc and van sales

When it comes to the FMCG supply chain, pre-sales is the most optimised route to market. Manufacturers know exactly what has been ordered and can deliver it as needed. The manufacturer can thus plan processes, staffing, resources and so on to cater to this need.

The problem is that in many instances, distributors or wholesalers have to deal with a high volume of ad hoc and van sales. The manufacturer must produce extra stock of unknown quantities to cater to this, and often they do not get it quite right. This then leads to additional challenges, including repeated deliveries and the need to pass credit notes on pre-sales orders when required stock cannot be delivered.

Van sales, common practice in the African market, is highly inefficient and means that line of sight throughout the supply chain is impossible to achieve. Manufacturers might know what they have sold to distributors, and they might be able to get some sales data from retailers, but there is a distinct lack of visibility in many areas. From a distribution perspective, the distributor needs to maintain enough stock on hand to ensure that they can supply sufficient quantities to retailers.

Single, integrated system

The only way to achieve JIT manufacturing, and therefore JIT delivery, is to have a single, fully integrated system from the manufacturer to the distributor, through to secondary distributors and finally the merchant. The data gathered through this

integrated system can then be analysed and predictive modelling applied to calculate the required volumes of each product.

This insight can be generated to a completely granular level and broken down per distributor and even per retailer. Manufacturing can then produce the exact quantities required, optimising costs. Distributors can deliver the exact amount of product required to each retailer, eliminating the need for repeat deliveries and enabling the most efficient routes to be plotted.

In an industry where all parties are fighting for every cent in the value chain, the ability to streamline and optimise processes is a huge competitive advantage. Line of sight is crucial to understanding rates of sale, effective sales locations and more.

Armed with this information, manufacturers can optimise their processes, distributors can optimise their deliveries and stock levels, and retailers can optimise their stock on hand and budget according to sales. Intelligent route to market software with predictive analytical capabilities is the key component in achieving the seemingly impossible nirvana of JIT.

ABOUT ANDREW DAWSON

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