Implementing win-win offer for Distributors of small appliances

Girish J Bhave

Sachin Jain

Girish J Bhave

Girish J. Bhave , a Mechanical Engineer with nearly 26 years experience in various functions of Supply Chain across sectors like FMCG , Engineering , Food & Textile .

After implementation of SAP in one of the Textile major from India he came across TOC as a real solution to reduce Lead time and Working capital. He initiated the TOC implementation project in the Textile major successfully. Currently he is working with Bajaj Electricals Ltd. and is a key member of the team implementing TOC initiative in three of the Business Units.

girish.bhave@bajaj electricals.com

Sachin Jain

Sachin Jain, a certified TOC expert, has an overall experience of nearly 8 years across sectors like Auto, Paper, Power & Consumer goods.

He has developed his expertise in Sales & Distribution environment within TOC and has led the implementations in a large consumer durables company, a leading confectionary major & a global leader in Engineering files & tools.

He is an alumnus of IIM Calcutta and Delhi College of Engineering.

sachin@vectorconsulting.in

Morphy Richards – An Introduction

- Morphy Richards is a part of global Glen Dimplex group & deals in a range of Small Home Appliances like Mixer Grinders, Toasters, Kettles, OTG, Induction cookers, Irons, Microwave ovens etc

- It started it's operations in India in collaboration with Bajaj Electricals in 2002-03

- From a turn over of around INR 20 Million in the first year of operations, it has grown steadily with a CAGR of around 35% and is expected to close FY' 13 at around INR 1.85 Billion

- Currently ~ 50% of total products are sourced from within India and balance 50% are imported

UDEs

- Very high Month end skew (around 60% in last week)
- High inventory (relative to the actual production lead times) coupled with shortages
- Low market presence / share
- **The above UDEs leading to Low profitability & Low ROI**

Business environment

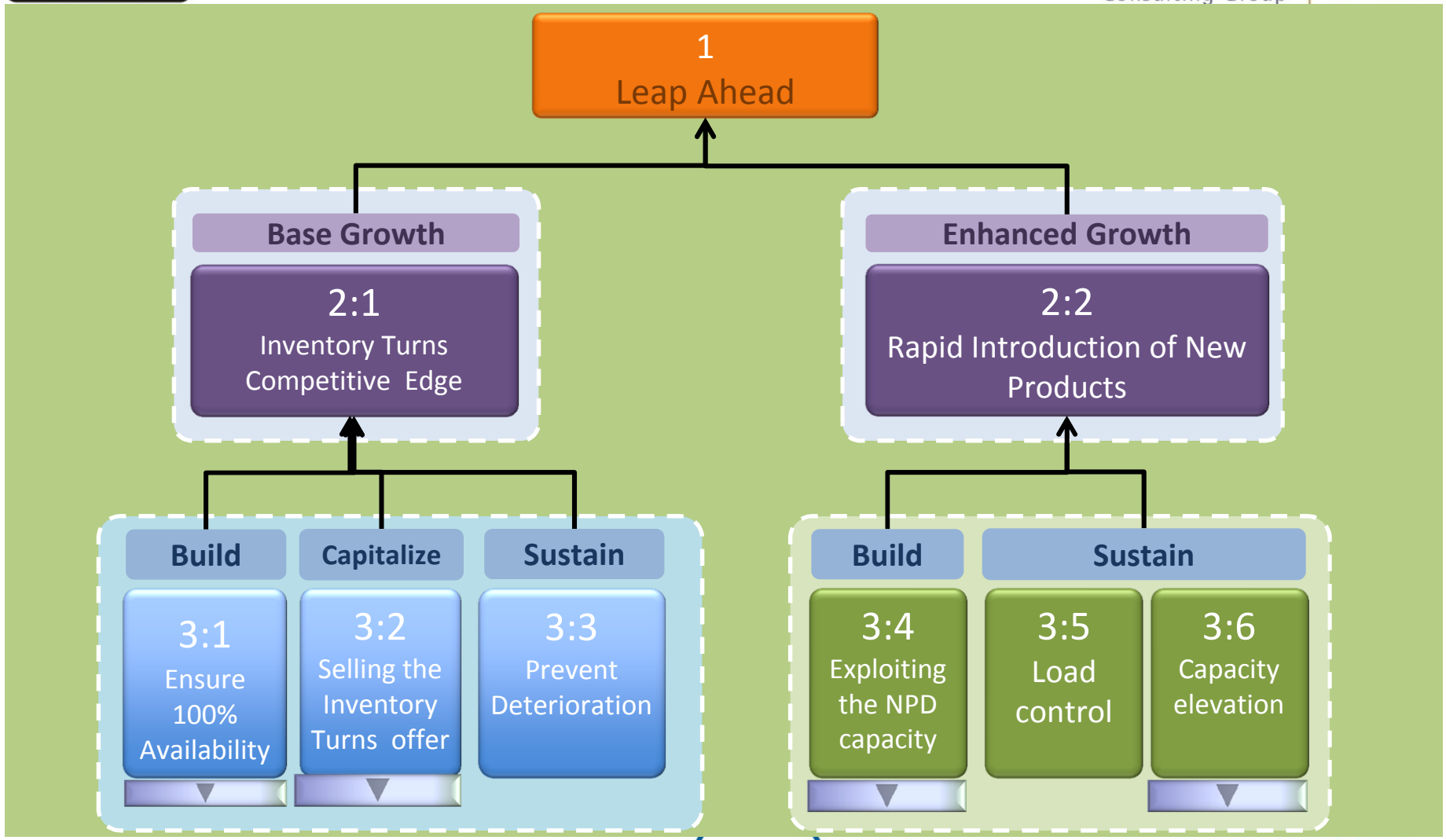
- Morphy Richards does not have a monopoly. Many other established brands exist in the market like Phillips, Black & Decker, Kenwood etc.

- Most consumers go to the market to buy a product, & are not married to a single brand. So “If they do not get a product of brand A, they will buy product of brand B / C / D”

- Most of the consumers have got zero tolerance time when they want to buy a small home appliance

So which S & T template should be used in this environment?

S & T – Bajaj Electricals



3.1 Ensure 100 % Availability

- Full replenishment solution implemented across supply chain starting from Vendors' raw material procurement to finished goods supply to the state branches across India

- Created central warehouses & regional warehouses in addition to existing branch warehouses to cut down the replenishment lead times

Current availability at branch warehouses has increased to more than 90%, throughout the month, for all SKUs contributing to more than 97% of sales

3.2 Selling Inventory Turns offer

- Inventory Turns offer was given to all the major distributors across India. (contributing to more than 80% of the trade sales)

- Before the offer rollout, almost all the distributors had 6 – 10 inventory turns per year

- As of Feb'13 (6 months post offer presentation), inventory turns for many distributors has already gone up significantly

  - **14% Distributors – 20 to 30 Turns / year**
  - **30% Distributors – 12 to 20 Turns / year**

Impact on primary sales

% Growth in FY'13 over FY'12

		All India	Del	Hyd	Kol	Mum	Cha	Ahm	Pun	Che	Coc
Pre TOC	Apr - Sep	-1	-34	-3	20	-5	36	60	54	23	7
Post TOC	Oct - Feb	18	6	7	43	31	37	61	101	10	-14

This is quite contradictory to common apprehension of loosing primary sales in the initial period post offer roll out to distributors

Impact on Range with Distributors

Released capital of the distributors was redeployed to increase the range of SKUs in the market place

Top 10 Distributors across India	% Increase in no. of SKUs
Fairdeal	15
Sakti Enterprises	18
Kitchen Aids	47
Rajshree Agencies	24
Zee Electronics	36
Bhutoria	3
Urvee	52
Kohli Agencies	55
Parkash Store	45

Impact on Reach

- Realization post TOC implementation with Distributors
  - Actual no. of retailers billed every month are less than 1/3rd of the total no. of retailers billed in a year
- Good news is that most of the distributors are now willing to redeploy the “Released capital” into exclusive field force for Morphy Richards to work on increasing reach in the market place!

Other important realization

- Prior to TOC, business used to match the Secondary sales of distributors by equal Primary sales. But it was on the basis of matching “Value of sale” !

- As a result, distributors had very large inventory for some SKUs and very low inventory for others.

- Post TOC implementation, instead of matching “value” of secondary sales, focus has come on SKU wise replenishment - thereby drastically improving the quality of the inventory

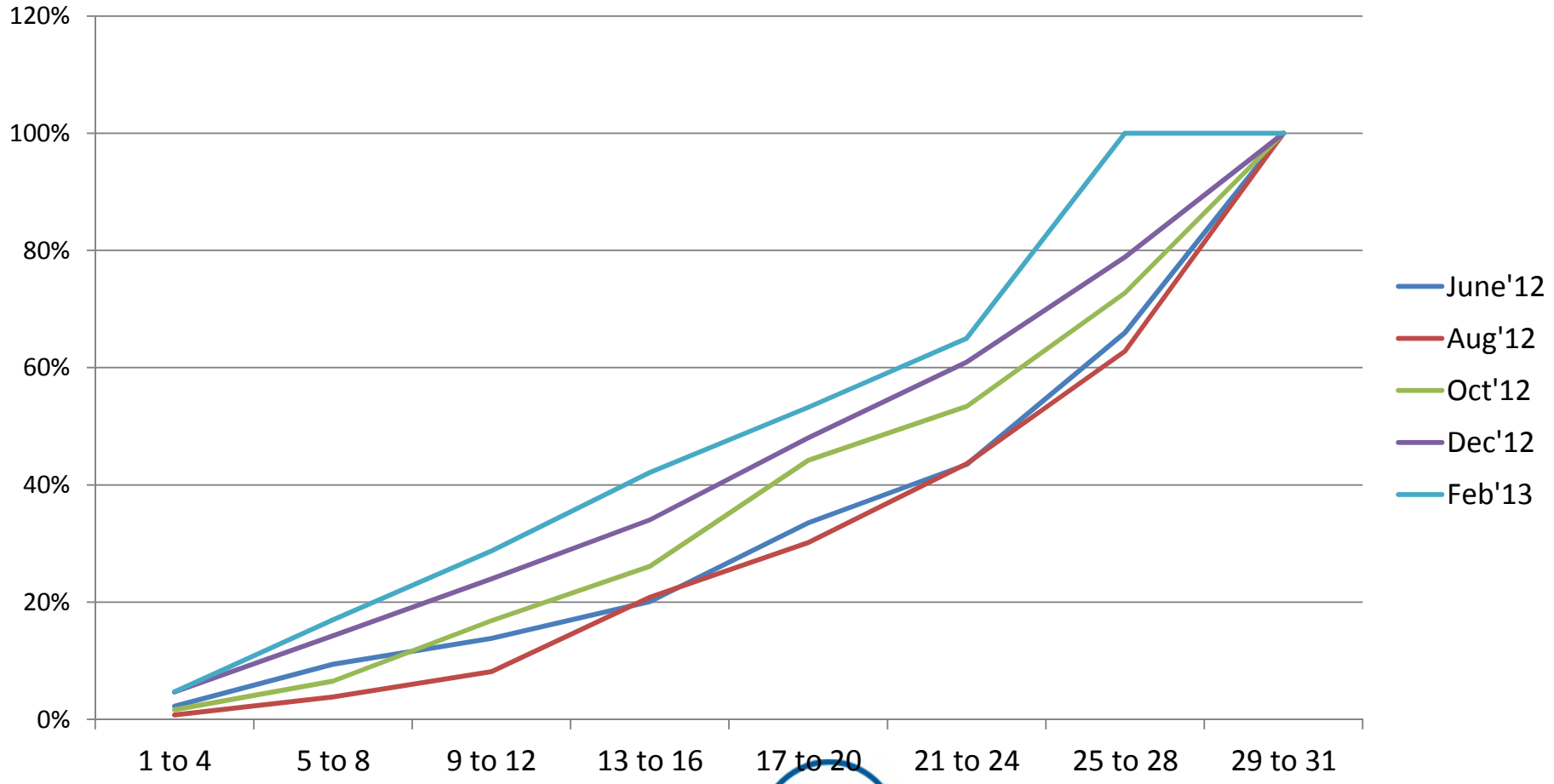
Effect on month end billing skew

Table View

Day→	1 - 4	5 - 8	9 - 12	13 - 16	17 - 20	21 - 24	25 - 28	29 - 31
Jun'12	2	9	14	20	34	43	66	100
Aug'12	1	4	8	21	30	44	63	100
Oct'12	2	6	17	26	44	53	73	100
Dec'12	5	14	24	34	48	61	79	100
Feb'12	5	17	29	42	53	65	100	100

Effect on month end sales skew

Graphical View



Way forward

- Organized Retailing with additional exclusive field force funded by the distributors (increase reach & range making use of released capital)

- Training of field force to extend replenishment offer to retailers (exploiting the cash & space of the retailer)

- Extending similar offer to Modern Format Stores across India

Questions & Answers.