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TOC for Effective Merchandise Titan Industries limited Jewellery Division

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The TATA Group

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Steel



\$ 70
Billion



Power

Chemical



Software

Auto



Retail Sector



Salt

Titan's Jewelry Division

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- The only organized national retailer in India
- Two Brands
- 1B\$ in Sales (PBT~10%)
- 150 retail stores across India



The Scenario / Challenges

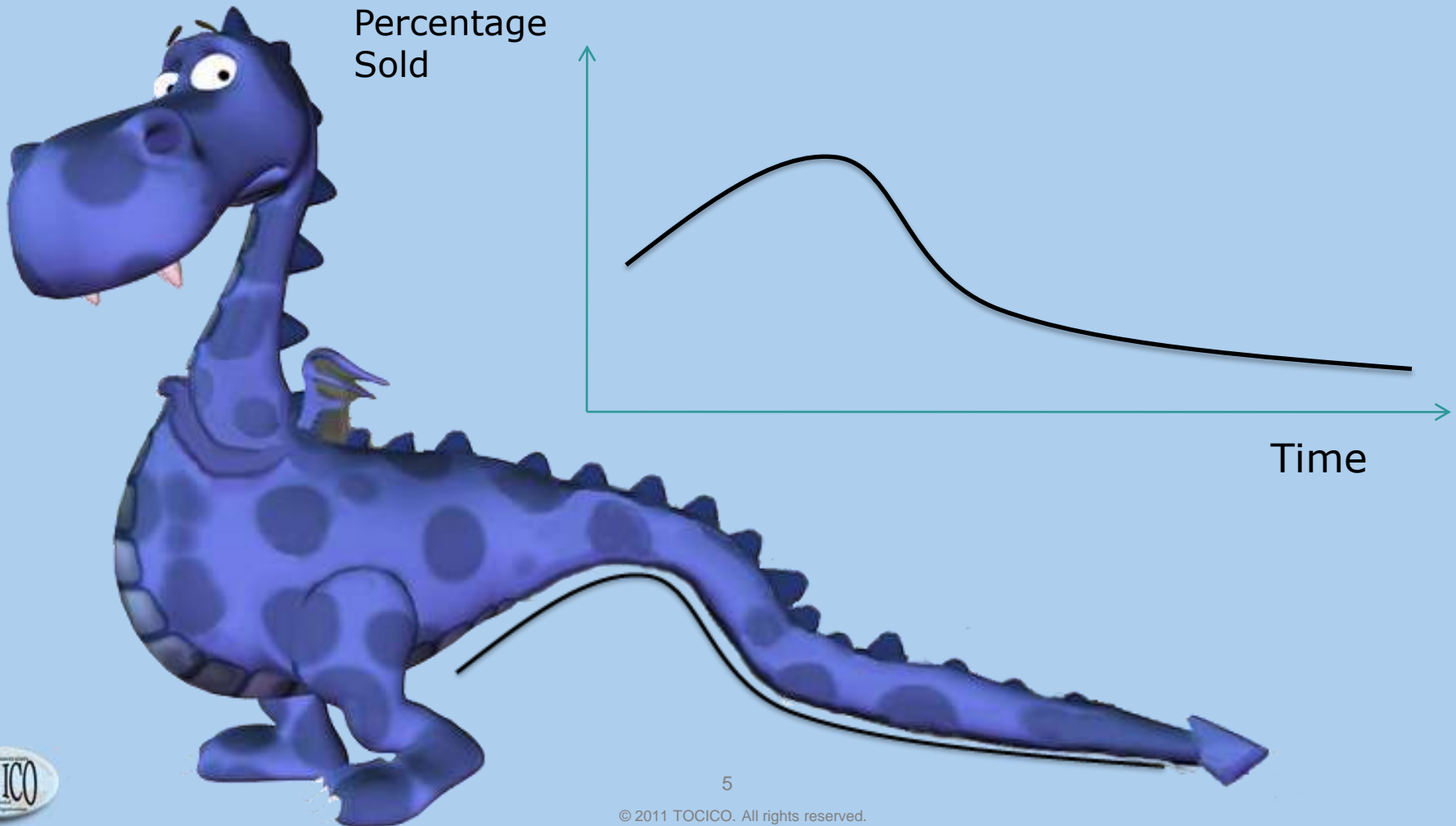
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- The Retail stores, on an average :
 - Hold Stock worth ~ US\$ 3.5m
 - Comprising of ~5000 SKUs with 1 piece each
 - Average daily sales ~50 SKUs
 - Stock turn ~3

Typical Inventory Distribution

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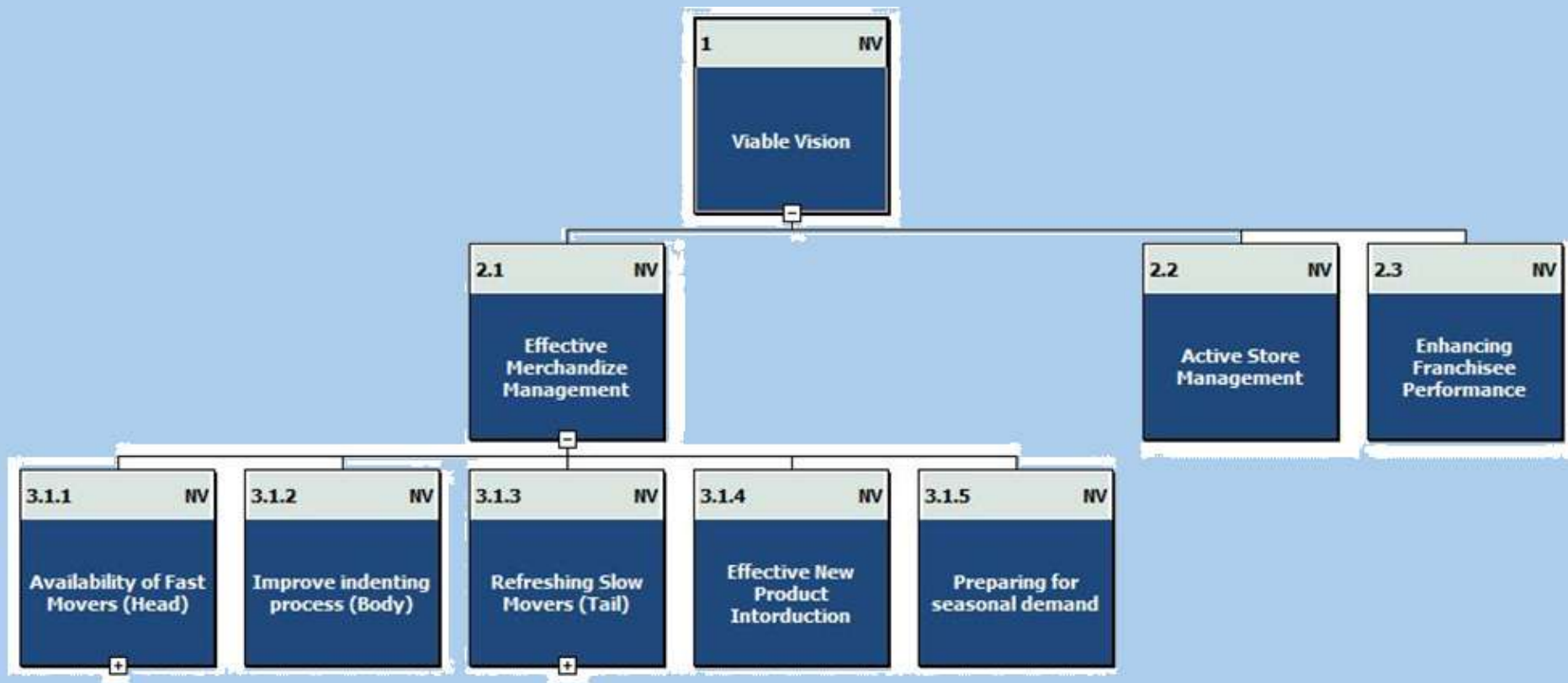
Jewelry business has a long tail



Titan Jewelry's Improvement Project

Strategy & Tactic Tree

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Titan's quest to improve Merchandise Effectiveness

What is Inventory Effectiveness?

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“Having the right inventory, in the right store, at the right time”

Increasing Turns

- The more effective the inventory, the less inventory is needed to support the current level of sales.

Increasing Sales

- The more effective the inventory the better we can exploit the current traffic.

Effective Merchandise

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- 1. MTR of Best Sellers (Head)**
- 2. Daily Indenting Process (Belly)**
- 3. Rotation of Aged Inventory (Tail)**
- 4. New Product Introduction Process**



Best Sellers

'Best-Sellers' - Objectives

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1. Have the right best sellers in each store
2. Ensure high availability of best sellers to the stores

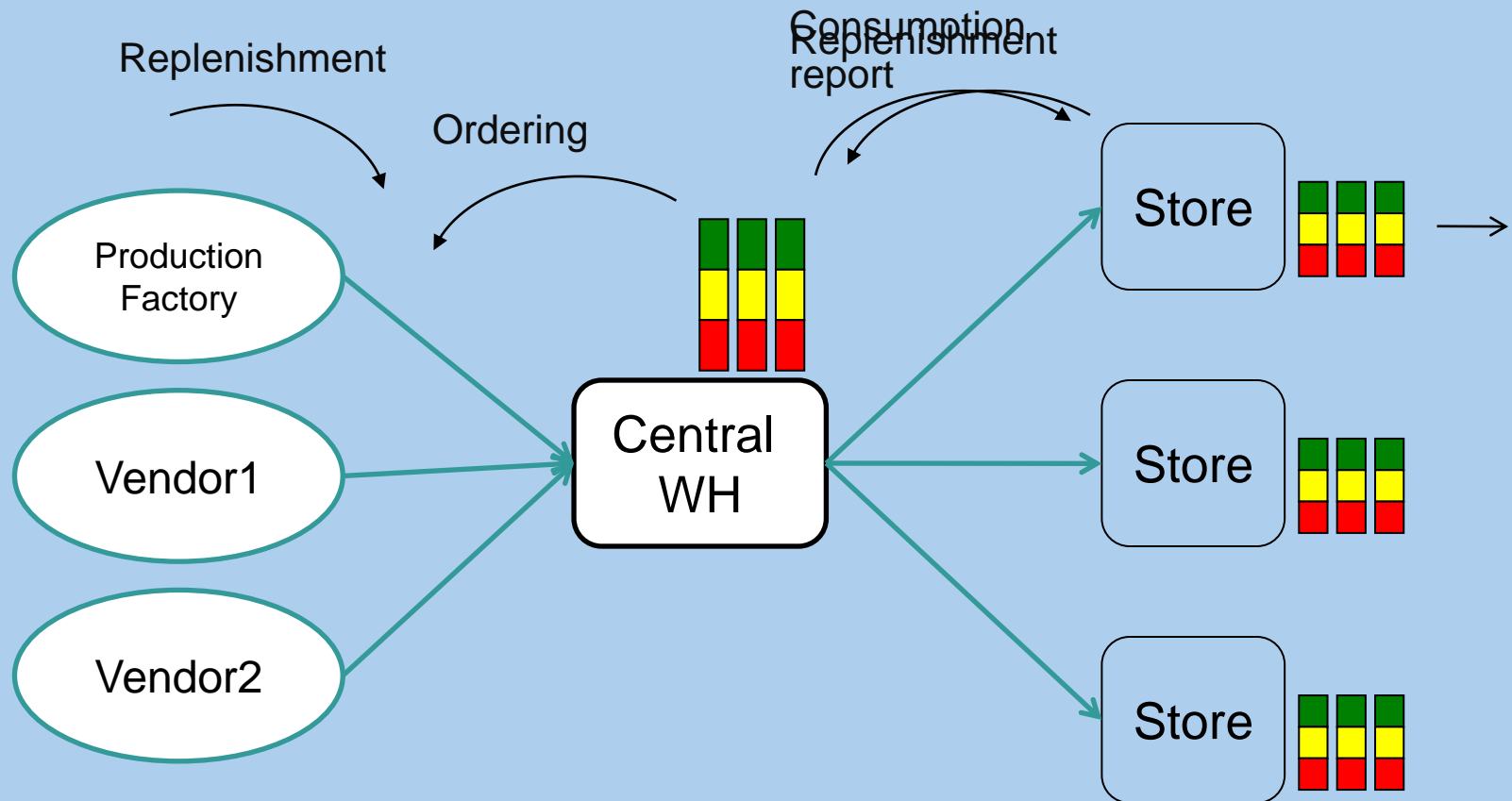
'Make to Replenishment' - Process

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- Back-end stock buffer is built to support sales of best sellers (about 3k SKUs out of 100K)
- Best sellers are on auto-replenishment to stores with a supply time of 3 days
- Back-end stock is dynamically managed to match actual demand

MTR with 'Pull' Distribution

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Ongoing management of Best-Sellers

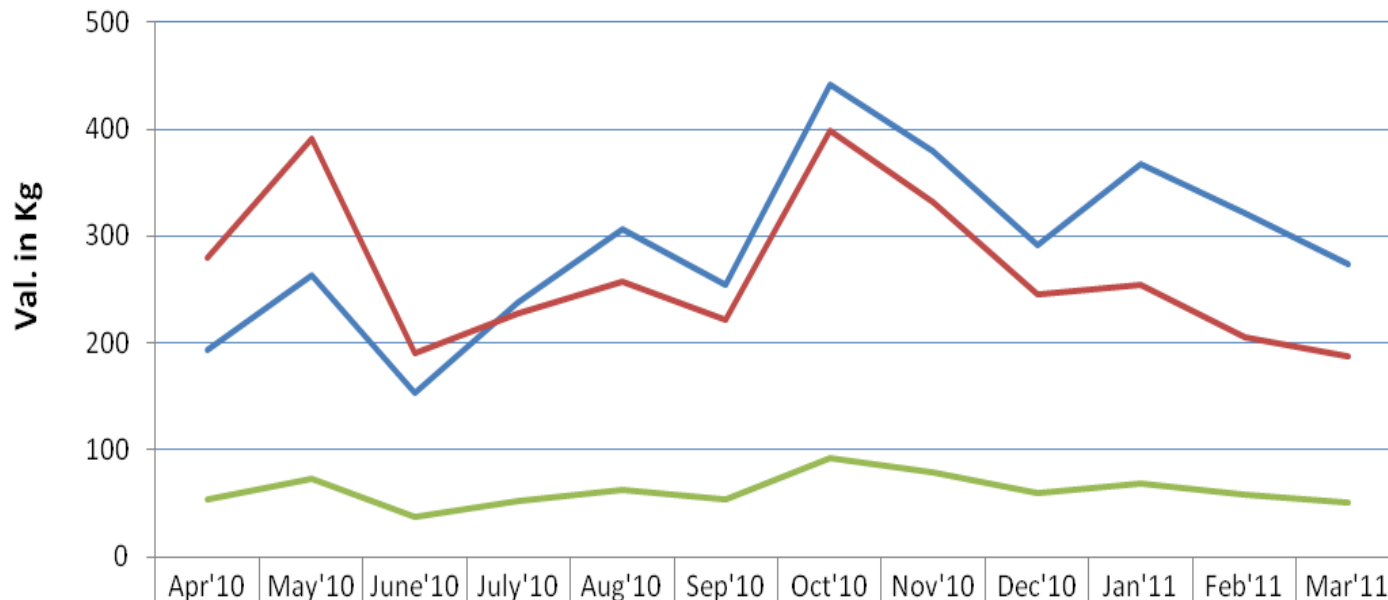
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- The list of best sellers is revised - Quarterly, some SKUs are deactivated and new ones are populated
- The stores get to choose the newly added products they wish to try
- A best sellers not selling within 2 months at the store is deactivated from the store and recalled to central stock

Best-Sellers' Share of Sales

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Plain sale share - TQ 10-11



	Apr'10	May'10	June'10	July'10	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10	Jan'11	Feb'11	Mar'11
MTR	194	263	153	238	307	255	442	379	291	368	321	274
MTAR	279	391	191	228	257	221	398	331	245	254	205	188
MTO	53	73	38	52	63	53	93	79	60	69	58	51
Total	526	727	382	518	627	529	933	789	596	691	584	513

Total

3485

3188

742

7415

MTR – 47%, MTAR – 43%, MTO -10%

Note: MTR Expansion started from July 10

Indenting Process

Indenting Process - Objectives

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1. Refreshing the store merchandise
2. Minimizing the store's tail
3. Generating best sellers

Necessary Conditions

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1. The process should be done daily
2. The process should not be time consuming
3. The stores must have an ownership on their inventory!



The New Indenting Process

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- The process is performed at the store every morning considering yesterday's sales as an input:
 - For each sold variant the best alternative is presented as the default indent
 - The best alternative is the same variant - if sold fast, otherwise it is the best selling variant on the same category and price band
 - The store can change the default by selecting an alternative item from a closed list of alternates which are national best selling variants

Seasonal demand and activation

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- Seasonal demand and activations are posing significant challenges on inventory management:
 - Stores have to do bulk indenting based on forecast
 - Accordingly inventory is to be built up at the store ahead of time
 - This results in high potential for misallocation of inventory

Seasonal Demand: Solution Guidelines

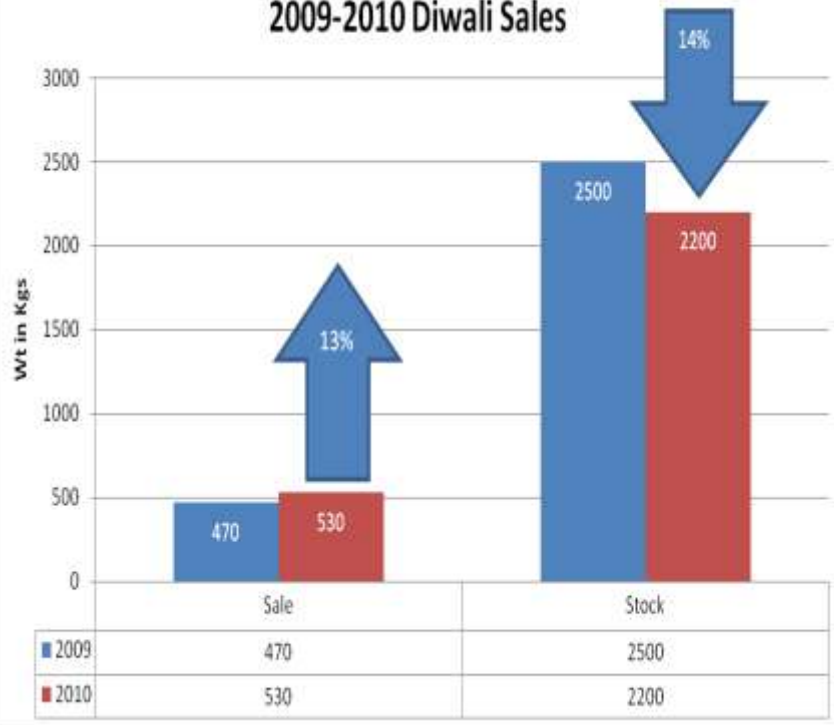
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- Direction for solution:
 - Supporting the seasonal sales by using central stock
- The benefits
 - High aggregation in demand - requires less inventory to support the seasonal sales
 - Higher availability – fast replenishment to sales allow better availability of fast sellers and better allocation of inventory

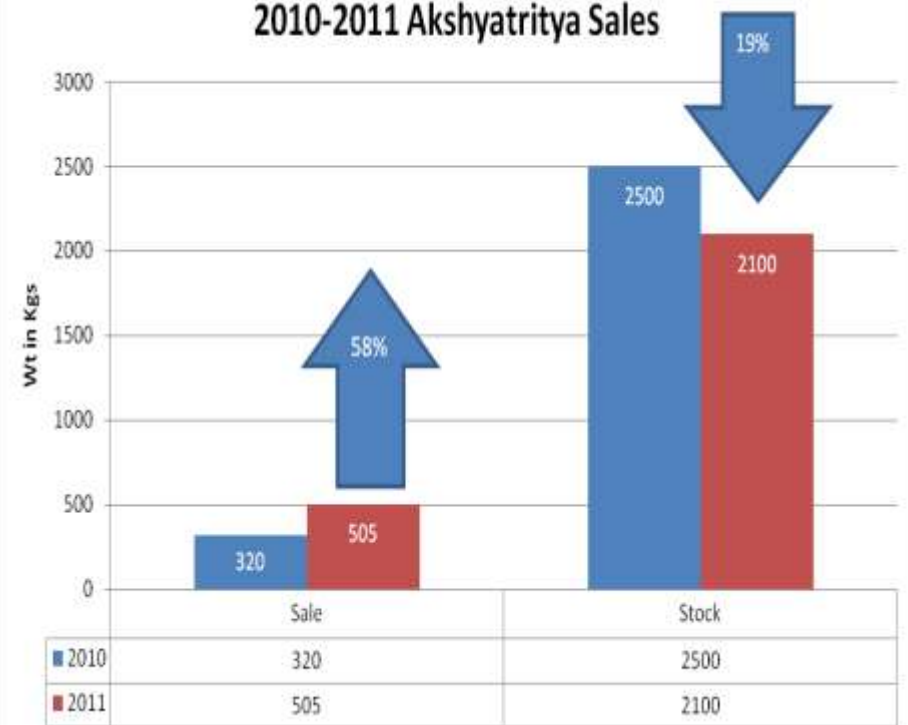
Best Practices: Season 2010 & 2011

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2009-2010 Diwali Sales



2010-2011 Akshyatritya Sales



Tail Rotation

The need for 'Tail-Rotation'

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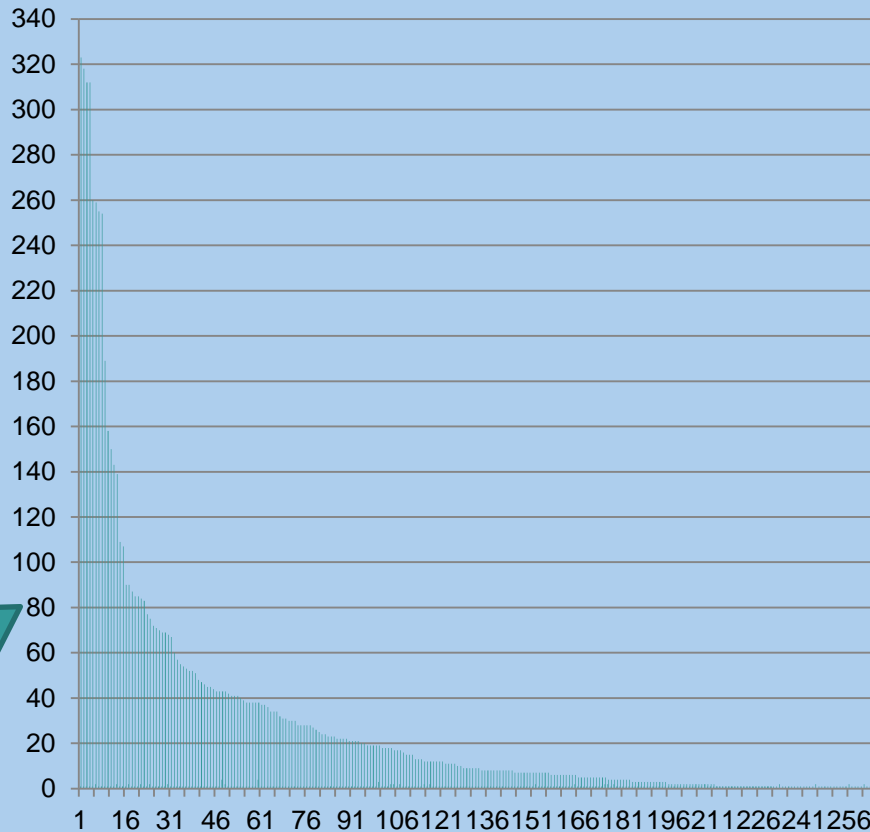
- On average 30% of the store's inventory is 6 months and older
- Customers and sales consultants are excited about new and fresh merchandise
- Activations move inventory but don't change fundamentally - the percentage of aged inventory



Cross-sales of Tail variants

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Sales
volume



~1/6 of the
tail are
items that
are in fact
best sellers
in other
stores

■ Total sales of L1_2
between 1-Sep-09 to
28-Aug-10

of tail
variants

Only 1/3 of the tail are items
selling less than 5 pieces
per annum

Tail-Rotation approach

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- Channel the aged inventory to stores that have demand for these items
- The daily indent list from each store is compared with the other store's aged inventory
 - Aged inventory is recalled when there is a match and is redistributed to the stores that order it
 - The stores that have to give back aged items, indent fresh items for replacement



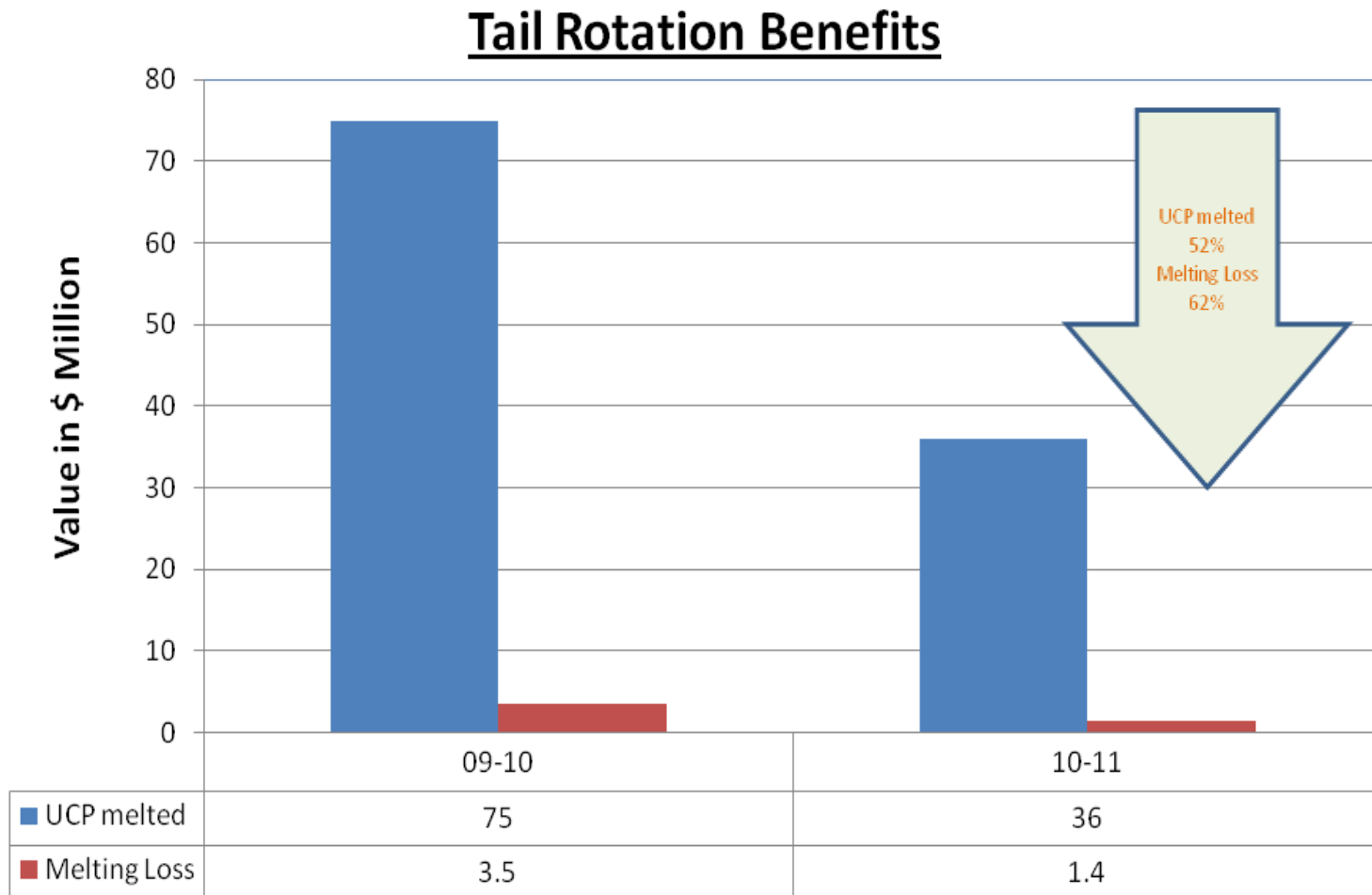
Tail Rotation: Summary

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- When we ask a store to return a variant for rotation, we are doing a service to two stores:
 - The origin store is giving a non moving item and can get a fresh item instead
 - The destination store is getting the item it desired, faster
- It is all part of the plan to increase the effective freshness in the store

Tail Rotation: The Results

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New Product Introduction Process

New Products - Challenges

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- Previous process: ~10,000 new products introduced yearly in two major events
- Stores were called to a NPIM event to evaluate the new designs and select the bulk of new products they desire
- Yet...
 - Very few new products became best sellers
 - Large amount of the new products ended up as slow moving items



Why Do New Products Fail?

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- New products are introduced in areas in which they are not needed
- Successful new products are sold, yet never reordered!
- The scope of new products is too high

NPI Solution Guidelines

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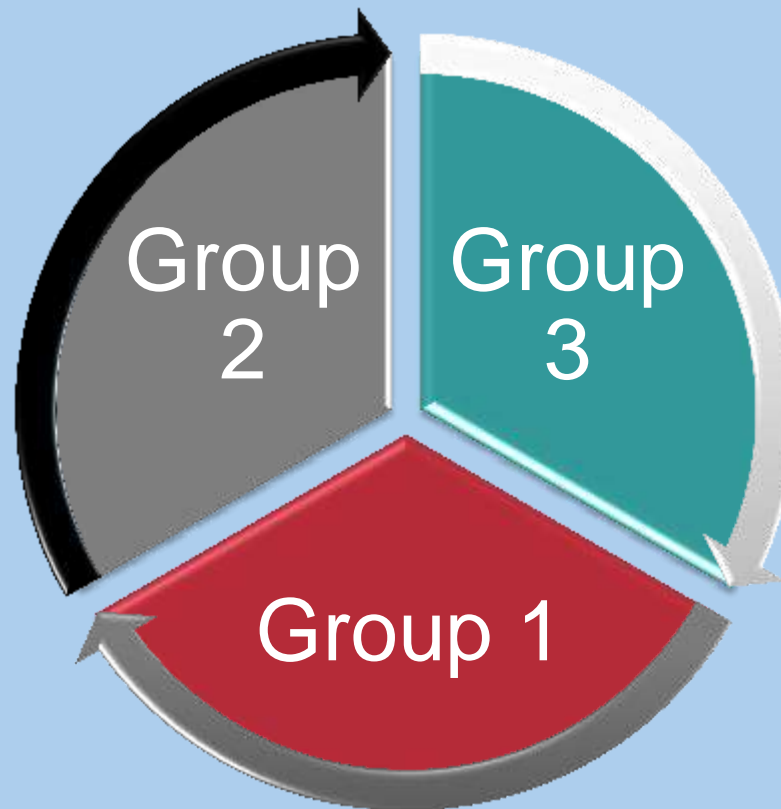
- Refreshers are introduced only in Categories and Price Bands that need them!
- New products need to be properly tested before being widely spread
- New products should get a chance to become best-sellers
- There is a need to show newness in the store frequently



New NPI Process (Illustration)

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- 3 months rotation (illustration)



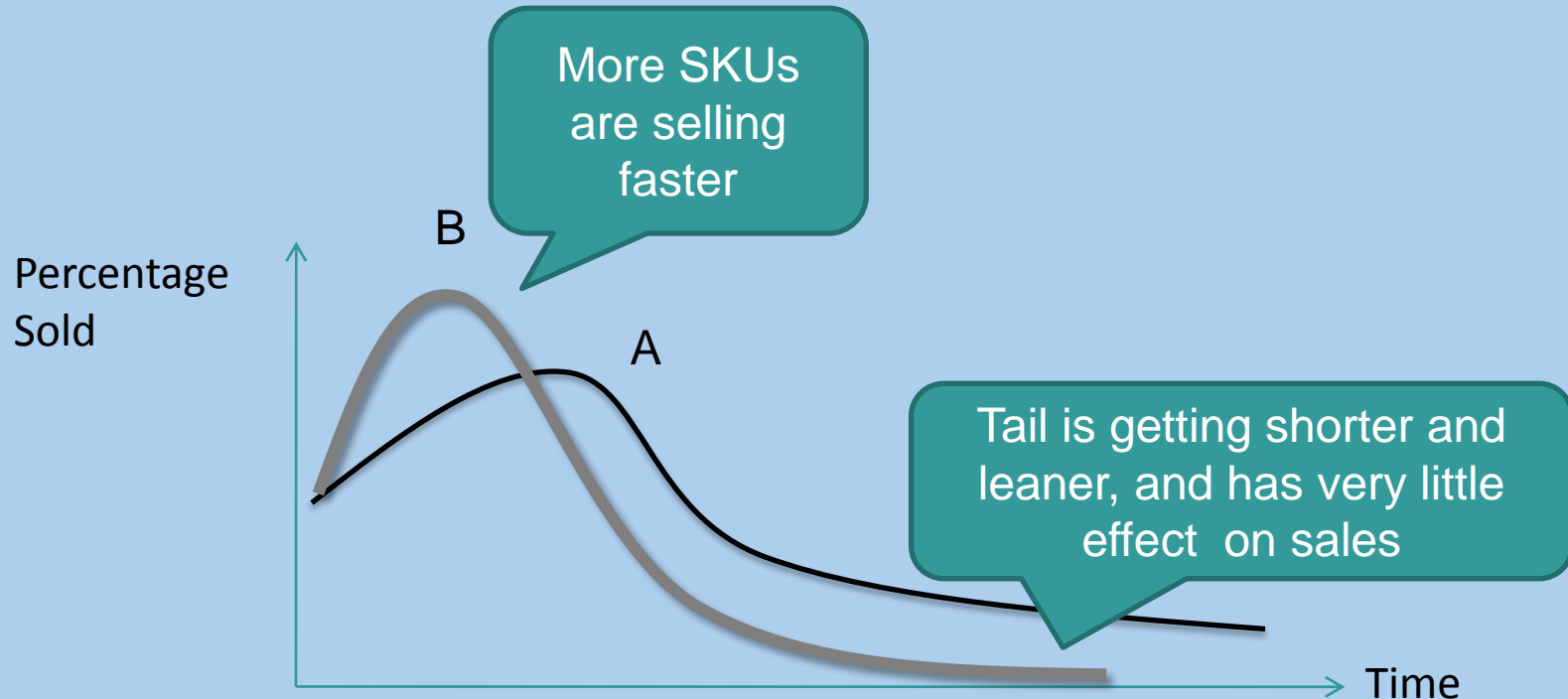
- 3 counters of NP are defined
- The entire counter of NP is rotated between stores every 3 months.

Summary Effective Merchandise

Back To The Inv. Distribution

(Improving inventory effectiveness)

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Quantitative Benefits So Far...

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Plain Gold Sales Vs. Stock





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Thank You