

From “Push” to “Pull” Titan Watch Division

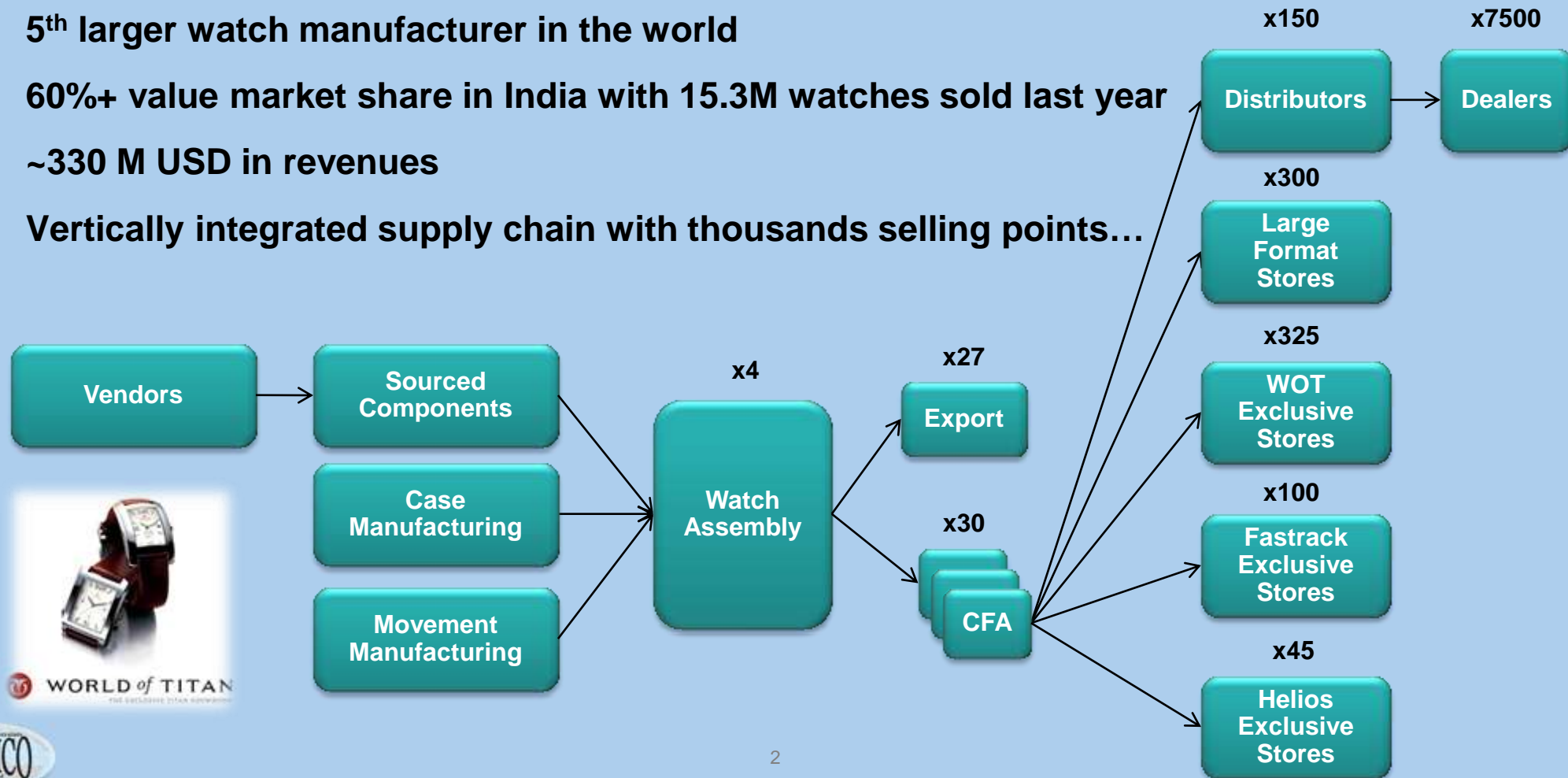
Presented By: Mr. J Murali and Mr. Roei Raz

Date: June 6th 2012

Background – Titan Watch Division

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- A TATA company
- 5th larger watch manufacturer in the world
- 60%+ value market share in India with 15.3M watches sold last year
- ~330 M USD in revenues
- Vertically integrated supply chain with thousands selling points...



The world of Forecast

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- How can we align the entire supply chain to cater for the Sales requirements?
 - Sales forecast inputs from sales team
 - Consolidated to 3 months rolling forecast (updated monthly)
 - Sourcing, Production and Assembly are planned ahead accordingly
 - Distribution down to the CFA according to the revised forecast (Forecast revised one month in advance)
 - Sales team is incentivized to reach targets based on the forecast
- Average alignment to forecast ~85% 

The opportunity

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- **85% alignment to the forecast does not say much about the SKU-wise availability to the market preferences**
- **What is the additional sales potential of providing availability of the right mix of products?**

Proof of Concept

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- **We conducted a pilot on large enough sample on different sales channels**
- **For these sales channels, we've secured safety stock (centrally), and kept availability of the desired costumer mix**
- **We tested this approach for 6 month, tracking the performance of the “pilot” channels comparing them with the “reference” channels**

POC Conclusions

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- **Better availability supported significant results in sales channels**
(growth of pilot group over and above the reference group's growth):
 - **+20%** sales growth over the reference in “World of Titan” pilot stores
 - **+15%** sales growth over the reference in “Fastrack” pilot stores
 - **+30%** sales growth over the reference in LFS pilot stores, and a significant market share growth over the national growth
- **We expect a further increase in sales after rollout due to better availability of best sellers (Pilot availability was at ~80%)**

Challenge #1 – “Build”

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- The entire supply system is designed to supply the forecast requirements in monthly buckets
- How do we gear up the entire supply system to ensure daily availability on SKU level?
 - While synchronizing materials with vendors, production, assembly and distribution...
 - Without inflating inventories...

From PUSH to PULL

Moving Closer to the Real Demand

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- Push -> Pull
- The trigger to source, manufacture and distribute is:



Push

Forecast what we expect the customer to desire in the next period

Pull

Replenish what the customer actually consumed

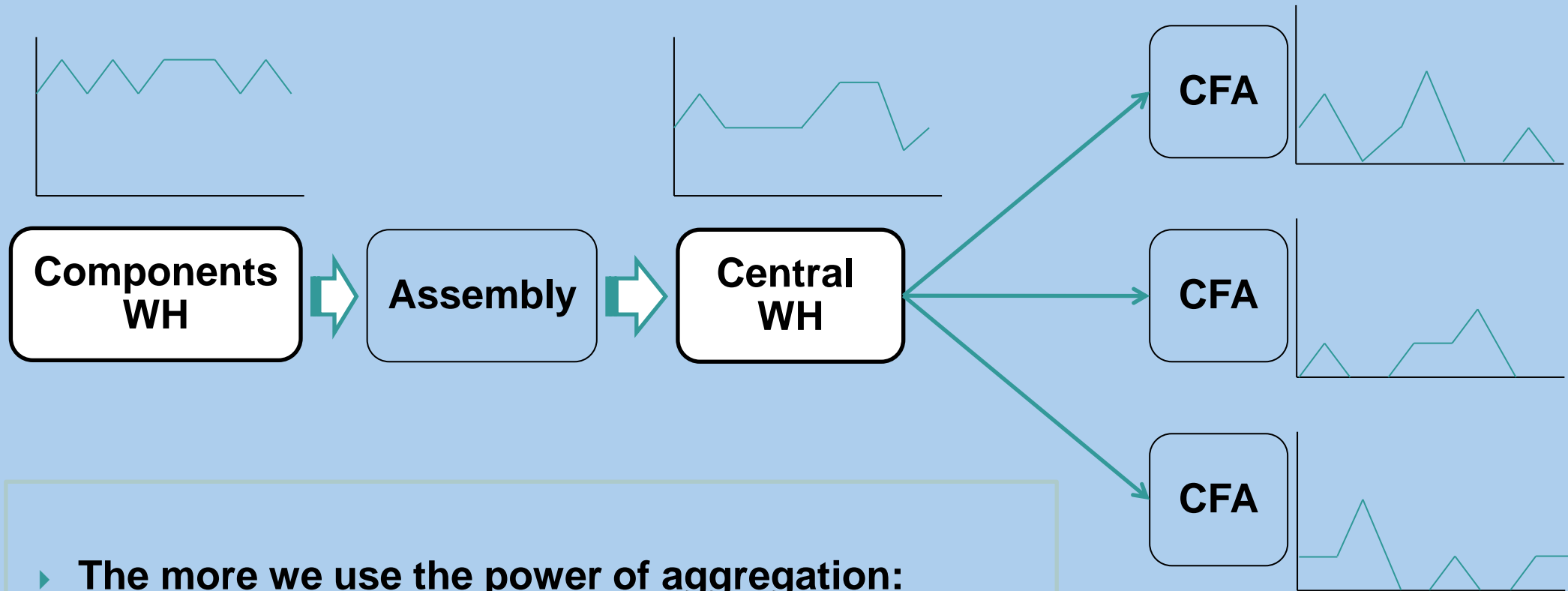
Pull Distribution: Main Concepts

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- **Target levels are defined – Buffers**
 - Use the power of aggregation
 - Buffer statuses determine the priority
- **Frequent Replenishment to real consumption**
- **Dynamic Targets**

The Logic for inventory holding: The Power of Aggregation

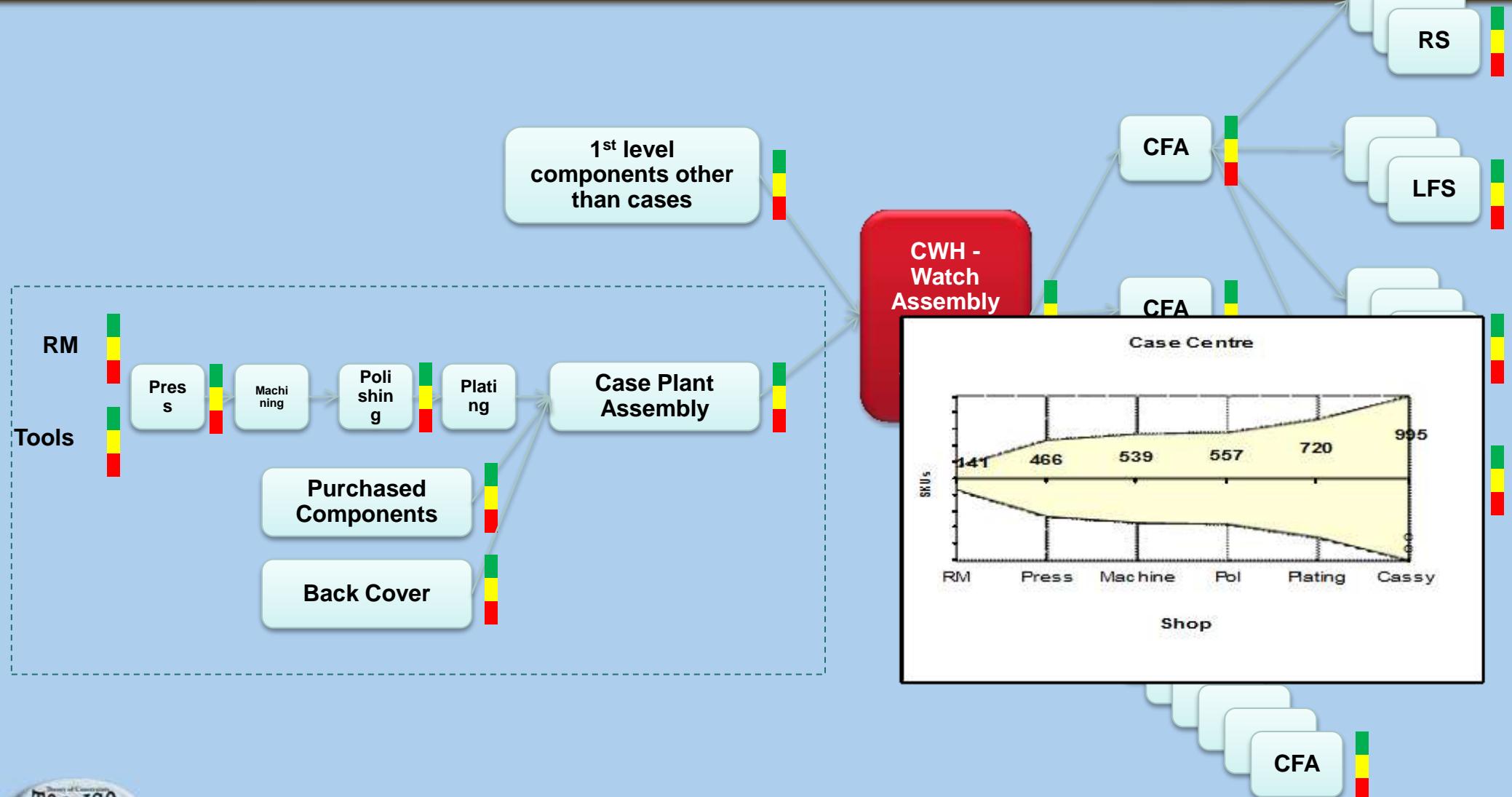
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- ▶ The more we use the power of aggregation:
 - The less inventory we need
 - The better is our response to market

Placing Buffers

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Pull Distribution Main Concepts

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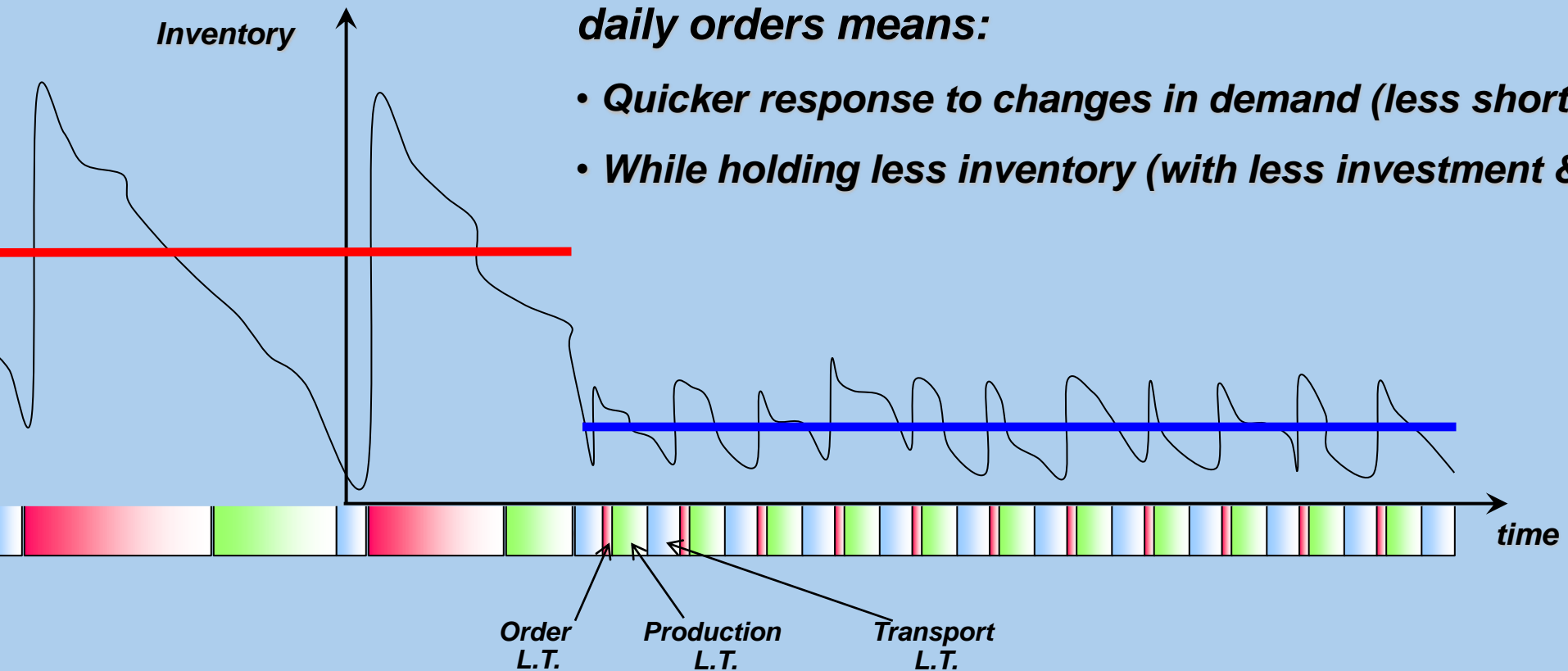
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- **Frequent Replenishment to real consumption**
- **Dynamic Targets**

Frequency of Replenishment

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Frequent replenishment with daily orders means:

- *Quicker response to changes in demand (less shortages)*
- *While holding less inventory (with less investment & risk)*



Pull Distribution Main Concepts

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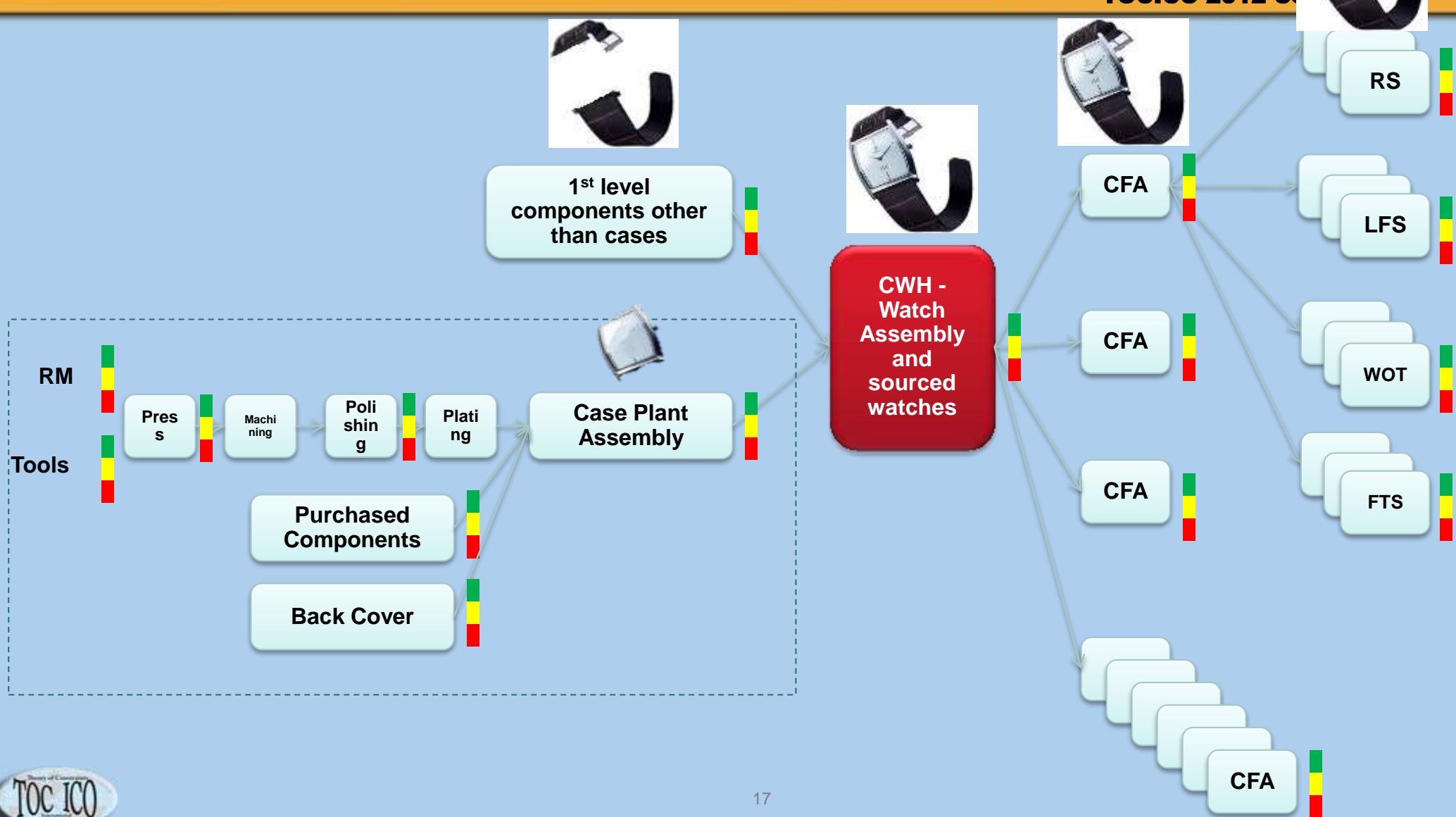
Dynamic Targets

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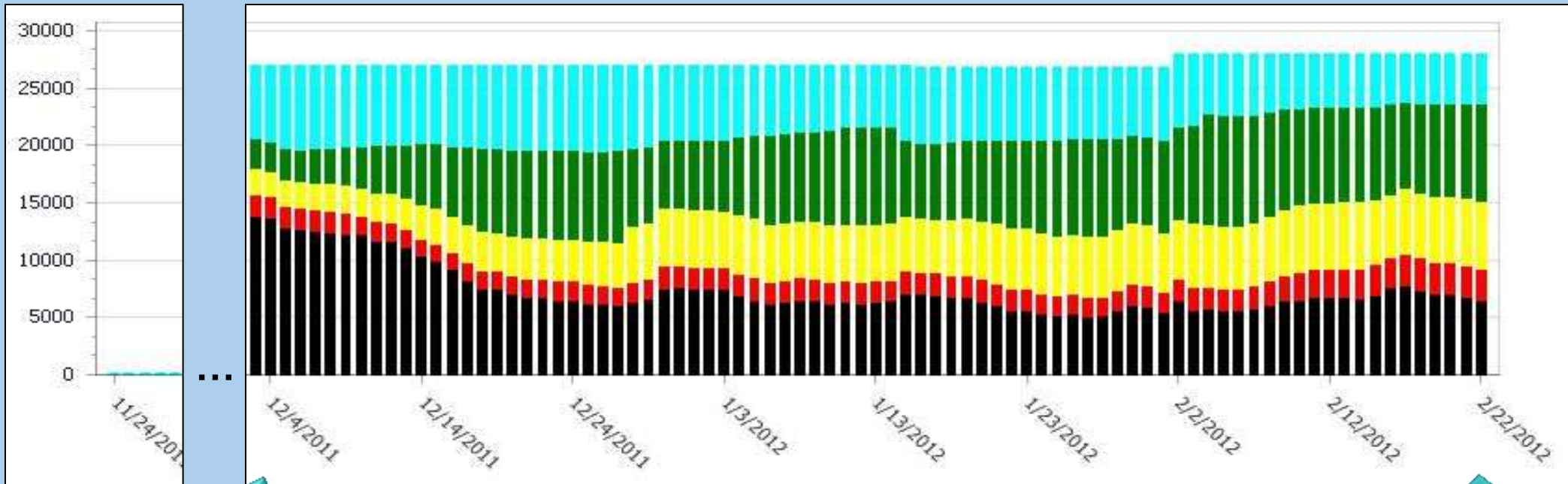
The Full Solution Map

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Availability improvement

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Dec 3rd 2011

51% shortages

Feb 22nd 2012

23% shortages

Challenge #2 – “Capitalize”

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- **The Sales team and Sales channels are still in the mindset of buying and selling infrequently**
- **How do we translate the improved availability to more sales across Sales Channels?**
 - **How do we ensure sales channels are replenished more frequently?**
 - **How do we break the monthly sales cycle of the distributor?**

A Phased Frontend Rollout

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**“Freeze”:
State by State
Roll-out**

**India is divided to 28
states with separate
regional warehouses
(CFA)**

**The constraint of the
implementation is
change management**

**There are many
stake holders which
are involved in the
change**

Breaking the monthly sales cycle

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- **Why is breaking the end-of-month billing syndrome so challenging?**
 - Inertia
 - Month-end PUSH to achieve the monthly target
 - “Credit cycle” - distributors are collecting money in month beginnings and sell again at the month ends to keep a balanced outstanding level
- **What can we do?**
 - Education- Education- Education
 - Incentives for more frequent billings
 - Setting mid month targets (breaking the targets to 24 fortnights rather than 12 month in a year)

A Promising Future (sample results to date)

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- **Sustained performance of Pilot stores**
 - 21 brand stores which were on TOC from the days of the pilot showed 23% value growth on top of the reference, for a period of six month, with about only 60% of the country's average inventory
- **First State rollout (AP)**
 - Stores showed an immediate improvement of 10% in value growth compared with the rest of the country during the first quarter of the implementation



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Thank You