

# Goldratt Consulting

Adopting different approach to deal with business problems

With the current economic trends, the companies are struggling to make profits with high level of uncertainty and continuous struggle to remain stable. Goldratt Consulting is enabling companies in India and around the world to precisely combat these challenges and come out as an Ever Flourishing Company through the application of Theory of Constraints.

**G**oldratt Consulting is a fast growing premium consulting company operating from across several continents. Ever since Dr. Goldratt found Goldratt Consulting in 2003, Goldratt Consulting has been successfully associated with several companies such as Mazda, Omron Healthcare, Sony and Yamaha, to enable these companies to become 'Ever flourishing'. Goldratt Consulting is headquartered in Israel with competent TOC expert teams spread across

Japan, India, USA, South Africa, and Asia Pacific.

Goldratt Consulting has deep roots in India. It has been operating in Indian soil over the last 10 years implementing holistic TOC strategies where the different TOC applications in Production, Supply Chain & Distribution, Project Management and Retail are implemented as part of its clientele growth strategy. Utilizing its global presence and expertise coupled with deep Indian Industry knowledge,

Goldratt Consulting has been involved in elevating the performance of leading companies such as Tata Steel, Godrej group of companies, Titan Industries, Dr. Reddy's Laboratories, Larsen and Toubro, Infiniti Retail, Aditya Birla group companies etc. to name a few. Goldratt Consulting has a unique internal process of assimilating recent developments in TOC and at all times linking the updated methods across projects to keep shrinking time to results.

**LATE DR. ELIYAHU GOLDRATT** was the founder and originator of Theory of Constraints. Theory of Constraints is a philosophy, principle, and tactic designed to help organizations manage systems better. Its whole purpose is to help managers identify the one most important factor that limits the success of their entire business system - the system constraint - and break it, or, if that is not possible, to maximize business success by managing that system constraint well. **THE GOAL** is his best-selling novel and ranked as one of the top 25 "MOST INFLUENTIAL BUSINESS MANAGEMENT BOOKS" in the world by TIME magazine.



**Q** During challenging times what are the prudent steps you would recommend to the top management of the company?

I recall a recent conversation with a CEO of a large retail chain in India. The CEO told me about a purchasing manager bragging he saved a fair amount of money by buying a large quantity at good Rupee rate of a certain famous brand's "newly launched" products. These items ended up being in high surplus, taking valuable display space in stores and likely to be sold at a high discounted rate. To put it in the CEO words, "I had to remind my manager that we are in the retail business, not in currency speculations. We stand or fall on our ability to ensure we have the right products which consumers like to buy and not too much of what doesn't sell".

Our advice to companies is to go back to the core – the unique value they aim to provide their markets. The only way to do it is to satisfy a significant need of their customers better than any other competitor. The focus must be on removing any constraint of the company in delivering more of this value. During current market downturn it is easy to go astray and defocus.

**Q** What makes Goldratt Consulting different from other Consulting companies?

Consulting typically is synonymous with analysis and recommendation, leaving to the client the actual hard work of confronting the

solutions with reality and getting the results. My father's mission for the company was to actually do the work with the client. Not to stop at the analysis to ensure results and value are gained by the management. For this reason our engagement directors are managers with experience in driving changes.

Another negative image of "Consulting" is that its recommendations are often just a reflection (although impressive and glamorous) of what the client's management told the consultants. However, if one wants to achieve a breakthrough in performance, things must be done fundamentally different. Our expertise lies in addressing what clients really need, focusing on the constraints that block building, capitalizing and sustaining a competitive edge.

**Q** What is your company's engagement model with clients?

First we only work with companies who are committed to achieve breakthrough results. For this reason when we sign a project, it is with a long term view. Our commitment is to provide the knowledge, tools, and experts to drive the needed changes. The Client commitment is to devote the needed attention and implement the agreed upon changes. Most of our fees are results based. We put our milestones on performance levels which are considered previously unattainable by the management.

## TOC Creating Paradigm shifts at Titan Watches

**T**itan Watches embarked into implementing TOC guided by Goldratt Consulting since the year 2010. Their challenge was that the alignment to forecast hardly said anything about the SKU wise availability with respect to the market preferences; Goldratt Consulting suggested a TOC strategy to move away from the traditional "push" to a "pull" based distribution model that are based on recent customer consumption data. All retail stores (500+) are replenished daily or bi-weekly to fill SKU-wise buffer targets which are dynamic and consumption based. Post TOC implementation, Lead Time improvement has been from 3 month rolling forecast production plan to 10 days to convert watch components to finished products. Availability improved, from SKU availability of

50% level (month beginning figure) in 2011 to an average of 85% daily SKU availability throughout the months in 2013.

**Ajoy Chawla, Vice President & Chief Strategy Officer, Titan Watches**

“Goldratt consultants have helped us to change our approach to viewing our supply chain in a more holistic view, seeing it as a synchronized mechanism to provide the best product mix at Retail in a responsive manner. The experience has been exceptional as they bring in expertise, deep commitment, authentic change management skills and above all a true partnering mindset. We see them working deep within our organization with our operating teams demonstrating high degree of ownership.”

**RAMI GOLDRATT,**  
CEO, Goldratt Consulting has taken up the mantle from Dr. Eli. He is a contributing author to The TOC Handbook (McGraw-Hill, 2010) and has been particularly influential in the area of sales, marketing, and education.





**Prabhakar Mahadevan, Director, Goldratt Consulting** has been pioneering in bringing TOC to India. He has been associated with the activities of Goldratt Consulting since 2003 and has been practicing TOC since 1998.

**Q** What is your infrastructure in India?

We currently have our registered office in Chennai & shortly commencing our office in Bangalore. We have plans to open offices in Mumbai & New Delhi over the next few quarters. Over the last one decade we have invested & developed a sizable pool of trained & experienced expert base to deliver our projects. Our experts are from the industry & are experienced top managers.

**Q** What kind of tangible benefits do your clients enjoy due to their association with your company?

We have been working with several reputed Indian clients, besides many

global clients. There have been many successes all around. We frequently experience that unneeded inventories being significantly reduced, manufacturing lead times shrinking, capacity getting exposed, availability in the supply channels going up to 95%+, project cycle times are reduced, overall sales & profitability significantly rising in relatively short periods.

**Q** Given the turbulent economic situation prevailing in India, how do you think companies can benefit from associating with your company?

When demand is shrinking (in the short term) Companies need to instill processes that will exploit available

demand. In fact the current business circumstances offer excellent opportunities for companies to go back to their fundamentals, rework upon their processes to deliver 'Value' to their customers; When value is decisively delivered companies gain competitive edge; When customers get value, they also provide much more business share, thereby companies can exploit available demand.

**Q** Do you currently focus on any specific industry segment?

We are actively engaged with following sectors - engineered products, Auto Industry, consumer goods, retail & project based companies.

## CROMA MOVES CLOSER TO CUSTOMER WITH TOC

CROMA embarked into implementing TOC guided by Goldratt Consulting since the year 2011. The Cromata management was looking for strategy that will give them a special edge in the challenging Consumer Electronic market.

Their challenge, prior to TOC implementation, was to protect their sales by ensuring availability of product portfolio in the stores especially being in the digital market space plagued by short product life cycle and very dynamic offering. Product portfolio availability is crucial at the store level at the same time inventories cannot be piled up since costs have to be controlled and ROI to be realized. Goldratt Consulting suggested a TOC strategy to move away from forecast based distribution model spanning across the supply chain that triggers replenishment to actual consumption. This new approach

actually aligns the buying to the real time Cromata customers demand, eliminating the core common retail challenge - by minimizing ineffective stock that need to be discounted or deleted. Cromata has implemented the new strategy to the entire chain within a record time, and have started to see the benefits in a very short time. Cash Flow significantly improved, followed by a jump growth in Stores like to like sales and significant Inventory turns improvement.

Cromata is now focused on the second stage of the implementation, where every store assortment at each category is aligned to the actual customers demand.

Cromata is implementing a robust "Flow Management" system that will control in systematic and scalable manner, the offering and the refreshment in the best way for each one of the company stores.

**AVIJIT MITRA, CHIEF FINANCIAL OFFICER, CROMA**

**Avijit Mitra has been instrumental in guiding Infiniti Retail on the TOC Journey**

**Q** What is the contribution of the TOC approach to the Cromata management team?

TOC has made us more analytical and also focus on global optima rather than local optima.

**Q** How do you see Goldratt Consulting different from other consulting approaches?

Goldratt Consulting's approach is very ambitious in target setting and they put their neck on the block.

**Q** What do you see as the number one element in the TOC approach for retail?

Breaking the conflict between inventory cost and sales.

## TOC HELPS TANISHQ GLITTER

TANISHQ has been associated with Goldratt Consulting since 2010. In their environment before adopting TOC methods they had high levels of inventory across stores leading to cash lock. About 30% of inventory of store was aged more than 6 months. Goldratt Consulting suggested and developed a TOC strategy to improve Merchandise Effectiveness through availability of "fast movers" and refreshing "slow movers". On a broad level, it means "Having the right inventory in the right store at the right time". This was done by quick replenishment of best sellers, daily indenting of SKU-wise "best alternative", rotation of aged inventory and new product

introduction process. During the FY '10-'11 compared with '09-'10, Tanishq saw their Inventory turns increase by 22% with overall Sales up by 12%. Their Global melting loss reduced by 62% (savings in multiple crores of rupees). Average age of inventory at Stores reduced from 125 days to 75 days. During their Peak season (Akshyatrityaya) sale shot up by 62% with 12% lesser inventory relative to the previous year. Aggregation of Central stock enabled faster replenishment of best sellers resulting in more than 50% of store's sales. New Products generate more Best Sellers and much faster with 50% less waste (slow moving inventory).

**CK VENKATARAMAN, CHIEF OPERATING OFFICER, TANISHQ**

**C K Venkataraman has been involved in the journey of Tanishq and TOC and he shares his views on the journey**

**Q** We hear that the results from TOC implementation at Tanishq have been very impressive; could you shed some light on the TOC journey so far?

What has been rather impressive is the simple, common sense, principles of SKU categorization

(Best-sellers, Best Alternatives, etc) combined with the systematic replenishment processes. The case for the TOC methods was compelling from the beginning.

**Q** With lakhs of SKUs in your system, how do you deal with the challenges of high inventory, yet able to grow sales?

The discipline of getting the assortment right in each store is the critical first step. This has been achieved, not fully yet, but substantially, by combining top-level sales/stock analysis with local store knowledge. Thereafter, systematically applying the TOC principles of categorization and replenishment has kept the assortment alive for as many days as possible.

**Q** How do you intend to further leverage the power of 'TOC' in the near future?

We are in the process of applying the TOC principles to our second brand, Gold Plus, in our manufacturing processes and also to our "Buy-and-Sell" franchisees

**Q** You have had long association with Goldratt Consulting, could you shed few words on their approach?

Exceptionally good in converting complex concepts into simple English; very sharp in their observations; very clear about the need to get ownership across the board to overcome attitude blocks to implementation; overall a pleasure to work with.

“ I smile and start to count on my fingers, “One people are good, Two, every conflict can be removed. Three, every situation, no matter how complex it initially looks, is exceedingly simple. Four, every situation can be substantially improved.; even the sky is not the limit. Five, every person can reach a full life. Six, there is always a win-win solution. Shall I continue to count? ”

**DR. GOLDRATT**  
from the book THE CHOICE

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