



# Titan Jewellery's Improvement Project

## - The TOC way

### Tanishq – A Case Study



"I am happy to share that, at last, after many years of search, by associating ourselves with GC, we have found the right science, helping us to have the right merchandise mix, at any given point of time in our stores. The solutions worked along with GC are simple, yet, very, very effective. Our TOC journey has also helped many, to re-define the way they look at constraints and conflicts, even in their personal life."- Mr L R Natarajan – Chief Manufacturing Officer (Jewellery), Titan Industries.

## TITAN JEWELRY

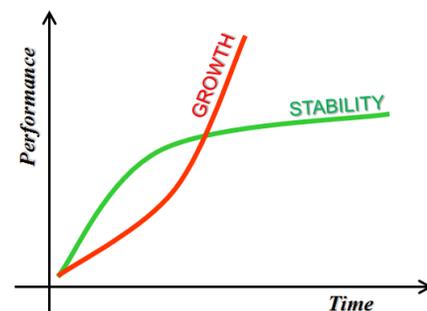
- Part of the TATA Group
- The only organized national jewellery retailer in India
- Two Brands (TANISHQ and GOLDPLUS)
- 1B\$ in Sales (PBT~10%)
- 150 retail stores across India

## KEY CHALLENGES

- High Inventory held across stores leading to cash lock and comprised of a wide range of SKUs (about 5000 SKU's of one piece each in a store)
- Average daily sales comprised of only 50 SKU's, with total inventory turns of about 3.7
- About 30% of the inventory of a store is aged more than 6 months
- Challenge to determine the "right" inventory model for a store out of the active universe of SKUs (about 100,000 variants)

## VIABLE VISION SOLUTION

- A TOC strategy was suggested 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"
- Solution scope:
  1. Quick replenishment of best sellers (Head)
  2. Daily indenting of SKU-wise "best alternative" (Belly)
  3. Rotation of aged inventory (Tail)
  4. New Product Introduction process



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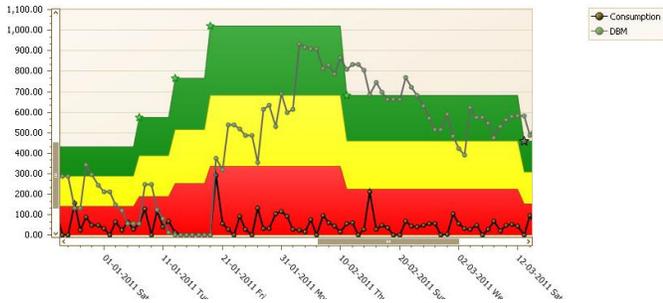
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## Best-Sellers (MTR)

Different products may sell in different stores / regions. The key is to identify the stores-specific right best-seller.

### Frequent Replenishment & Dynamic Buffer Management (DBM)

TOC aims at very simple straightforward methods to use. Fast replenishment to actual demand from central stock. The TOC logic dynamically measures the actual consumption of the stocks and readjusts the inventory levels of each SKU accordingly.



### Managing Seasonal Demand and Activation with DBM

The spike in demand during season and activation period is addressed through forecasting and hence stores end up with huge variation or misalignment in inventory.

*Solution Guideline: Supporting the seasonal sales by central stock*

- 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

## Daily Indenting Process (MTAR)

Ensure refreshing the store merchandise, try and eliminate tails and generate best sellers.

### The New Indenting Process

The process is aided by software and performed at the store every morning considering sales of previous day as an input:

The best alternative for indent is the same variant if sold fast, or alternatively, the bestselling variant nationally within the same category price band.

To fully own the process, the store can change the default by selecting an alternative item from a closed list of alternates which are national best selling variants.

## Tail-Rotation

- On an average 30% of a store's inventory is 6 months and older.
- 15% to 20 % of "tail" variants are best seller in some other stores and only 30% of the "tail" variants sell less than 5 numbers per year.

### Tail-Rotation Approach

Channel the aged inventory to stores that have demand for these items.

The daily indent list from each store is mapped with the aged inventory lying in other stores. These are recalled when there is a match and redistributed to the stores that have placed fresh orders for it.

The stores that give back aged items can indent fresh stocks as replacement.

## New Products Introduction (NPI)

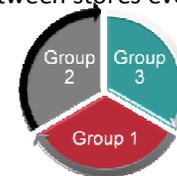
- About 5000 new products are introduced every six month for stores to choose from.
- Some new products are introduced in areas in which they are not needed.
- There was no science to determine which variants are most suitable for a store.
- Successful new products are sold, but never reordered.

### NPI Solution Guidelines

- Refreshers are introduced only in Categories and Price Bands that need them.
- New products need to be properly tested before being widely spread.
- There is a need to show newness in the store frequently

### New Introduction Process

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



Philosophy of ever flourishing company with one of the key beliefs "Inherent Simplicity" shared by GC strongly resonated with us considering where we stand today. Their approach to seek solution is holistic and inclusive but also very focused, resultant is a solid ownership of participants, making it more likely to succeed. GC's multi-disciplinary consultants brought new perspectives to the table and at the same time effortlessly brought the best out of us.

We benefitted in front end inventory management of Tanishq, typically an asset heavy model. Now GC is helping our other brands and as well as in Project Management and New Product Introduction (CCPM). The association has been very enriching for jewellery division so far and in all likelihood TOC would become one of the most important initiatives of Titan soon. Saumen Bhaumik - General Manager-Head Retailing

## ABOUT GOLDRATT CONSULTING

Founded by Late Dr Eliyahu Goldratt, Goldratt Consulting is a global company, Headquartered in Israel with associates in India, China, Japan, USA, Latin America, and Europe.

All our experts have vast industry experience from some of the most successful companies in the World with extensive exposure in implementing TOC applications and Viable Vision projects. Our leadership roster contains the most highly renowned TOC experts in the world.

Our approach is based on Theory of Constraints (TOC) - the time tested, logical, commonsense solutions introduced by Dr. Eli Goldratt 25 years ago in his book, The Goal, which is still a best-seller today.

TOC has been implemented in nearly every function in companies from \$25 million family operations to top Fortune 500, in product and project manufacturers, and companies with simple and complex distribution networks. TOC is taught in hundreds of colleges and universities, and much has been published on the subject.

*Goldratt Consulting is not a typical Consultancy*

- We only work with companies that commit to reaching a level of performance they had previously considered unattainable.
- We only implement solutions that bring such performance without compromising long term for short term or one stakeholder group for another (shareholders, management, employees, and customers).
- Instead of hourly or daily rates, our fees are based on the mutually agreed value that is generated through our



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## KEY BENEFITS

- FY 10'-11' compared with 09'-10':
  1. Inventory turns is **up by 22%**
  2. Overall Sales is **up by 12%**
  3. Global melting loss is **down by 62%**  
(savings in multiple crores of rupees)
  4. Average age of inventory at stores is down from **125 days** to only **75 days**.
- Peak season sale (Akshyatritya 2011) shot **up by 62%** with **12% lesser inventory** relative to the previous year.
- Aggregation of Central stock enabled fast replenishment of best sellers (which account to only 3% of the total universe) resulted in more than **50% of store's sales**.
- New Products generates more Best Sellers and much faster with 50% less waste (slow moving inventory).

## INTANGIBLE BENEFITS

- Portfolio of products being refreshed constantly provided a fresh look to the stores
- Motivation of store managers & staff is substantially increased due to inventory churn & focus on the right products
- Decision making process at the store is supported by merchandising software which handles all related processes and enables full synchronization with the backend.

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