

## Niranjan Kirloskar



Q. The auto industry is reeling under a second slowdown in two years. How has your company been affected and what steps are you taking to withstand the impact?

A. Of course in both the August 2008 slowdown and the current one, the sales to our OEM customers have gone down. However, our Aftermarket distribution business has been a significant bulwark for our company. We have increased our sales in the aftermarket segment over 9 times in the past 6 years. Our market share has grown consistently because of our strength of the distribution business – even in times of slowdown. We are now market leaders in some of the key segments in Heavy Duty Filtration.

Q. You are one of the very few companies in India, which has implemented a pure pull system right from manufacturing to distribution and now unto the point of retail. Can you share your experience of making such a dramatic transition?

A. We are on an exciting journey for about 6 years to make the transition from forecast based push to a pull system. The paradigm changes were significant in production to move away from batch production to variety based production, which was assumed to lead to inefficiencies but we have actually generated excess capacity by not producing what is not immediately required. The changes in sales were even more fundamental – we had to move away from a system where we used to push material to distributors at month end, to now a system where goods are invoiced daily as per consumption. This called for changes in the way we measured sales. Sales teams do not have a primary sales target – they have targets for generating real demand in the market and increasing range and reach of our products.

Q. What happened to all your trade schemes, which usually support a push approach?

A. We overhauled all our trade schemes, which were based on meeting short-term targets. Such schemes created an artificial wave of peaks and troughs because of demand pre-emption and did not help anyone in the chain. We have now stopped all such schemes and shifted the budget to long term loyalty programs with our key customers and influencers – the mechanics in our case.

Q. But how could you manage with your competition having aggressive schemes for the channel partners? Did you not lose out on sales?

A. We actually have the best scheme for our channel partners. Due to the low inventory, our distributors earn an ROI of close to 100% in my business. They have zero stock outs with only 15 days of inventory at the most for each product. In return they work extensively in the market for increasing range and reach. They cover the nook and corner of their territory to cater to every retailer, while continuously expanding the range – that is the win for me. At the retail point, almost every retailer appreciates our system of small stock and frequent supply. They are seeing how this is impacting their business and most of them are realizing that this way of operations.

| Parameters                                | 2007<br>(Pre-TOC)                | 2016<br>(After TOC<br>Implementation)                                      |
|---|----------------------------------|--|
| No of SKUs                                | 300                              | 650  |
| Inventory                                 | 45 days                          | 16 days  |
| Receivables                               | 40 days                          | 10 days  |
| Availability                              | Monthly order fulfilment was 80% | 99% availability at distributors on a daily basis                          |
| Number of distributors                    | 60                               | 185  |
| Area covered by each distributors         | No area demarcation              | Area demarcation - no more than 2 districts per distributor                |
| Stock levels at Distributors              | More than 45 days of stock       | Less than 15 days of stock   |
| ROI of distributors                       | About 20%                        | Over 80% (Margins kept same as before and trade schemes were discontinued) |
| Number of retailers covered               | 5000                             | 63000  |
| Number of mechanics under loyalty program | 0                                | 55000  |
| Number of sales officers                  | 26                               | 78   |
| Number of mechanic sales representatives  | 18                               | 280  |