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Decisive Competitive Edge in Auto After Market

Presented By: Anand Krishna & Kiran Kotheekar

Date: 5th November 2007



Presented by...

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**Anand Krishna
GM – Sales and Marketing
Fleetguard Filters Pvt Ltd**



Ultimate Protection ■ Increases Engine Life™

**Kiran Kotheekar,
Director,
Vector Consulting Group**



Fleetguard Filters Pvt Ltd.

Fleetguard Filters Private Limited (FFPL)

- JV with Cummins Filtration (previously known as Fleetguard Inc.), USA
- Cummins Filtration is a part of Cummins Inc. USA
- FFPL commenced operations in June 1992
- Manufacturing Facility at inception: 1
- Revenues in 2006: 45 million USD
- Manufacturing Facilities at present: 5 (one new coming up)

Fleetguard Filters Pvt Ltd.

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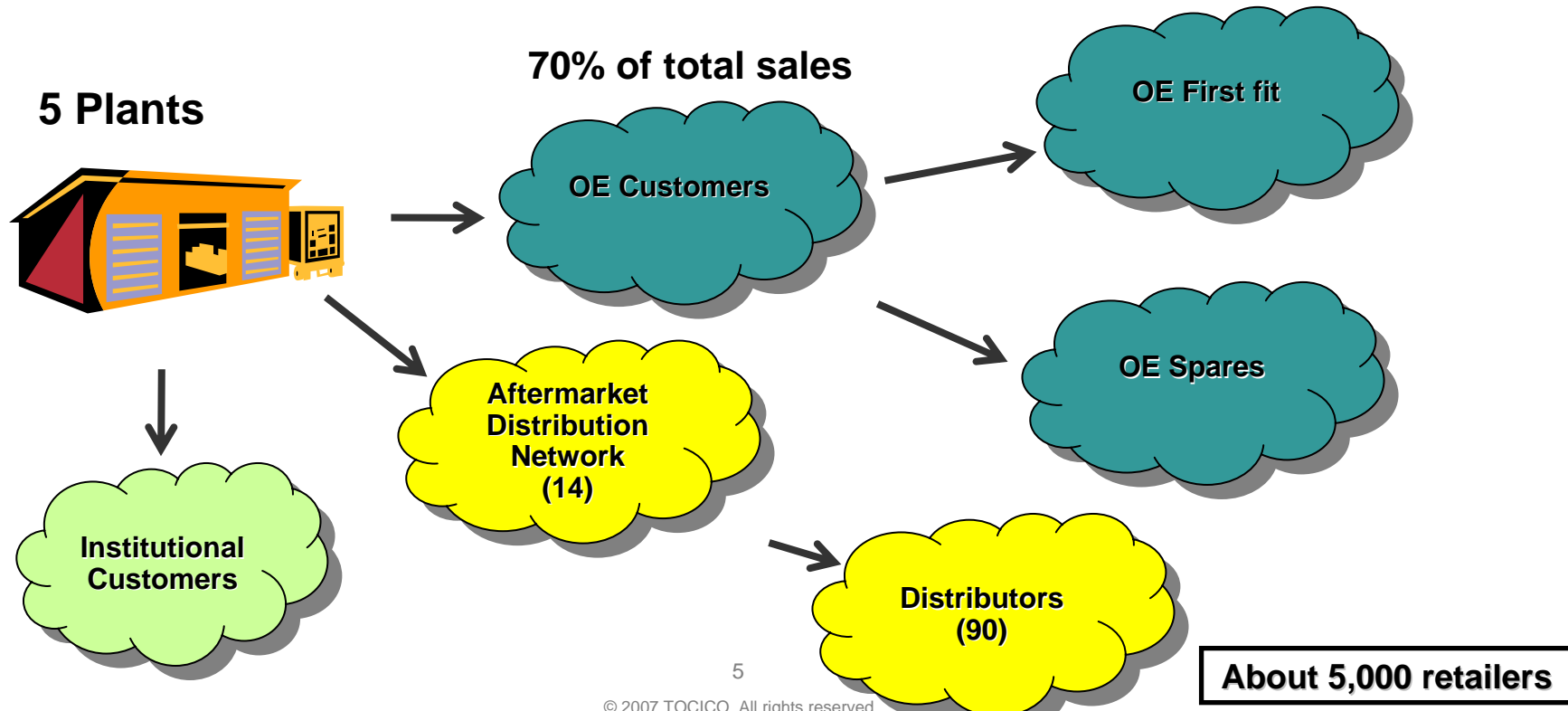
- Products: Filters, Filtration Systems and Coolants
- Backward Integration: Media (Paper), Sheet Metal, Tools & Dies, Rubber Components, Coolant blending & Adhesives
- First filter manufacturing company in India:
 - ISO 9002 certification (1993),
 - QS 9000 certification (1997) and
 - ISO/TS 16949-2002 certified company since November 2003
- Proud to be a Technology leader: Over 200 active patents & 2 patented media



FFPL's Business

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- Fleetguard Filters – A leader in filtration solutions for air, fuel and lube systems for automotive and industrial markets.
- Part of the Cummins Group, preferred OEM supplier to HCV makers.
- Established market leadership in aftermarket .



Viabale Vision for FFPL?

- **Viabale Vision** is usually not attempted for automotive OEM suppliers.
- Viabale Vision requires huge increase in Throughput,

BUT :

- In majority cases FFPL is single source supplier (We enjoy a market share of about 70% in our chosen segments)
- FFPL is supplying to near 100% on time to the OEMs
- OEMs are always pressurizing for price reductions
- In OEM business, for any growth, FFPL is dependent on OEMs increasing their business

Viabile Vision for FFPL?

So can we attempt a Viabile Vision type of growth?

We are determined to do so!

How?

Viable Vision for FFPL

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- Dr Goldratt has been gracious to provide us the vision in every possible meeting we could have with him.



- FFPL aligned with Vector Consulting Group to make this happen.
- Dr Goldratt assured “You are in safe hands”

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... leveraging the potential

FFPL's objective

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Our objective:
Increase profits 7 fold in 4 years

Approach to this mission-

Supplying to OEM is an important component of the strategy, but is limited by the growth of the OEM

After market is unlimited if product range is not restricted to current range of products produced by FFPL

After market potential is unlimited if our reach is not restricted only to India.

Market potential now-

More than \$ 250m!



FFPL's objective

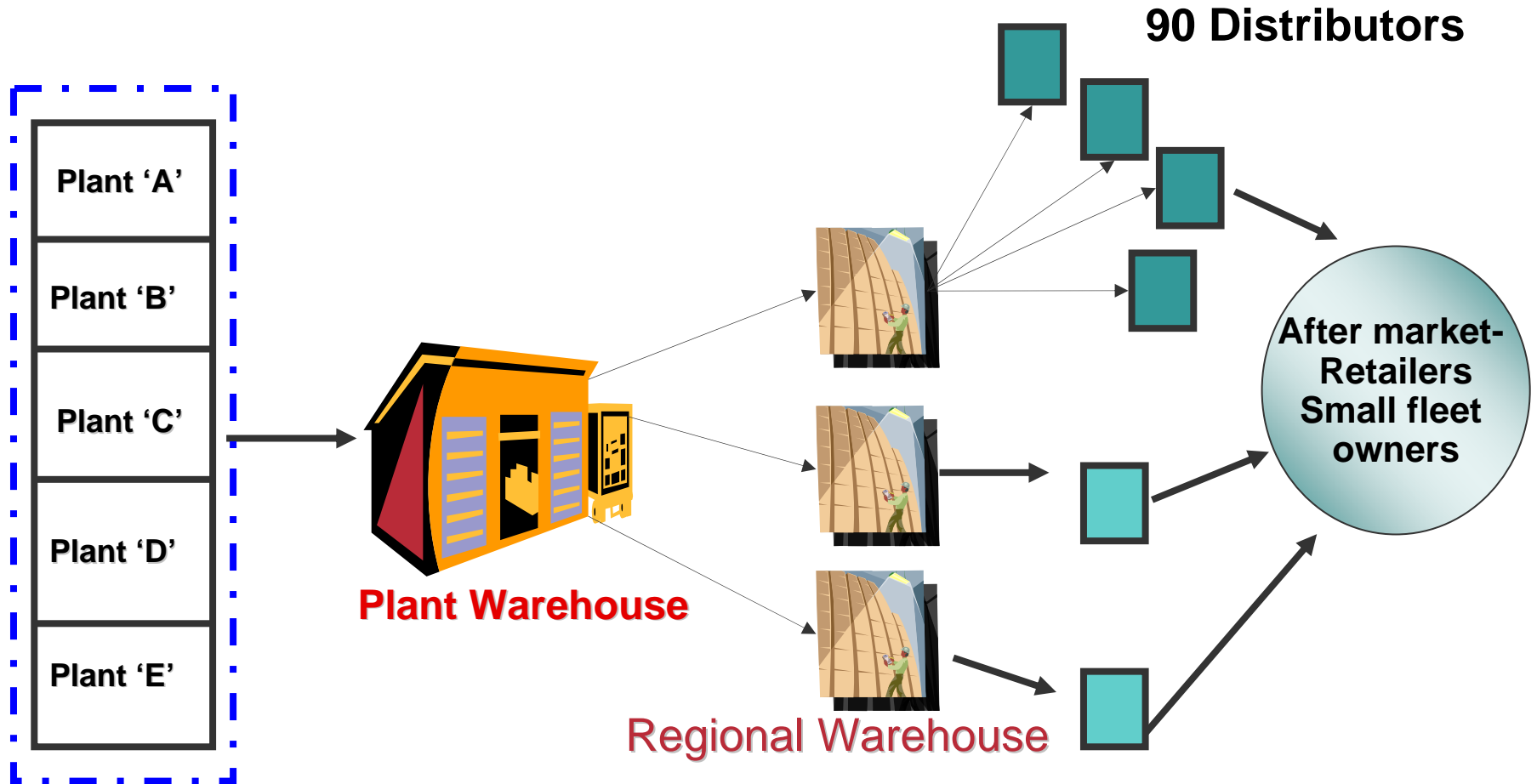
Approach to this mission-

Develop Decisive Competitive Edge in After Market so that FFPL can choose the products and the reach at its own will

A Decisive Competitive Edge-

- Satisfies a significant need of the client (which has not been satisfied for a considerable period)
- Cannot be easily copied by any significant competitor for a considerable period of time

Distribution structure



Current reality of After Market

Low ROI

Decrease in anticipated profits

Accept lost sales / customers

Liquidate by higher discounts

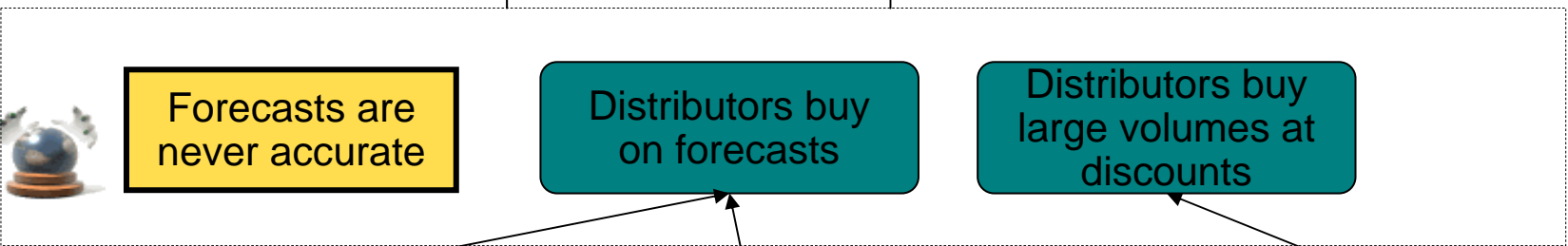
Continuously carry high inventory

Distributor has limited capital

Some items (usually fast runners) are stocked out

Distributor gets stuck with some items for long time

Distributor has limited capital



Supply lead times are long

Supply is unreliable

Sales managers have the forecasts as targets- **PUSH**





I AM NOT RESPONSIBLE

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Necessary assumptions

When most cash is tied up in inventory and availability is still an issue, improving inventory turns is a client's significant need.

Strategy

A decisive competitive edge is gained by providing a "partnership" that delivers superior inventory turns (better availability coupled with substantially reduced inventories), when all other parameters remain the same.

Parallel assumptions

Switching from a forecast driven mode of operation to a consumption driven mode of operation increases dramatically inventory turns (reduces shortages while reducing inventories).

Tactic

The Company develops the capabilities to successfully implement with enough clients a "partnership" that is based on supply according to consumption.

Sufficient assumptions

Building a decisive competitive edge is not easy; building the capabilities to **capitalize** on it is not less difficult. But, **sustaining** these two elements is the real challenge.



Focus on after market

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Significant need – For Distributors : Higher ROI

The situation 2 years back- Inventory turns of about 9

***Decisive Competitive Edge-
FFPL promises Inventory turns of more than 36!!
With 100% availability (no stockouts)***

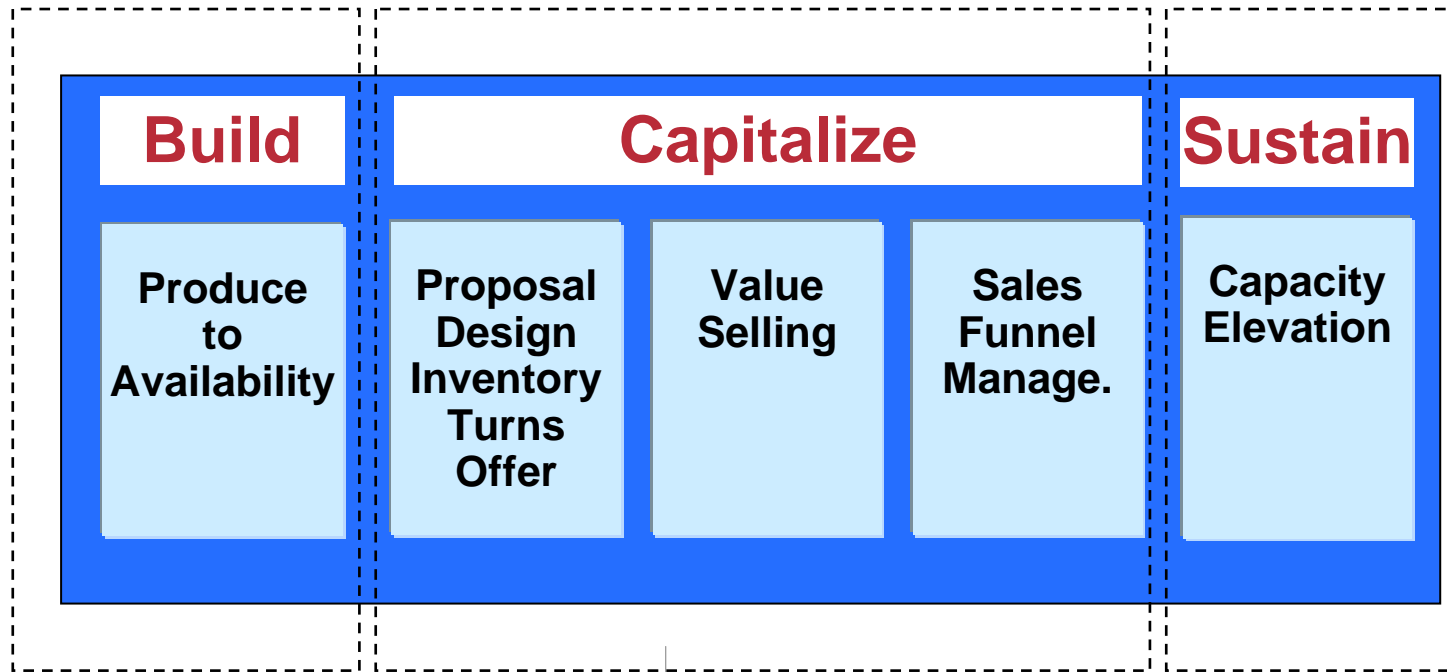
If we were to achieve this, most distributors will work for us and provide support in our tactics in the aftermarket

Can we achieve this?



The Tactics

Level 3 of SNT



Level 4 of the S&T Tree for Consumer Goods implemented.

Build 100% availability

Key Paradigm shifts-

1.Reduction in lead times is the leverage point

2.No PUSH -Supply only on consumption and equal to consumption

Build 100% availability

Plant operations

- S-DBR - Reduce lead times in production by more than half.
- Establish Plant Warehouse- Aggregation point
- Produce only according to plant warehouse consumption.
- Daily Buffer Penetration Reports (BPR) used to generate priorities and replenishment orders on previous links.
- RM buffers ensure that the plant is in a position to produce any SKU on any day.

Build 100% availability

Results- DDP before implementing SDBR – 80-85%, After – 95% (3 months after implementation)

Addressing the negatives-

- Inventory increase due to PWH – overall supply chain inventory decreased due to aggregation benefits
- Measurement of plants changed from efficiency to eliminating IVD and stockouts in the PWH.

Build 100% availability

Distribution

Plant warehouse was introduced to decouple production from the fluctuations of the market

All links in the supply chain (Plant-PWH-RWH-Distributor) operating on pure pull mechanism.

- Decrease in Lead Time for distributors from 7-15 days to 1- 4 days
- Implemented SOPs to-
 - Replenishment according to consumption
 - Daily consumption data being supplied by all distributors
 - ODRF – Order Daily Replenish Frequently

Obstacle – to get Daily data from Distributors.

Developed a simple web-based system on which the distributors can report summary sales for each SKU (no details required about whom sold to, etc. etc.)

Key Paradigm shifts-

1. Sales people have to learn to sell a business deal
2. Selling a business deal is not synonymous to order taking

MY SALES MANAGER



ME AND MY SALES MANAGER

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SALES



MY SALES MANAGER WITH CLIENT

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**WIN - WIN
SOLUTION**



Offer to the Distributors

- FFPL guarantees Inventory Turns of more than 36 and 100% availability
- FFPL Supply only according to consumption (No Push)

(+ other elements which we cannot present)

Capitalize-

Role of sales people-

- Changed from push to distributors to focus on end consumers – sales in the market – demand creation

Capitalize on availability at distributor

- Retailer replenishment – to be started under Offer for retailers
- Motivate influencers – Loyalty program for mechanics launched in July 2007 to accelerate demand

The results

- All distributors on offer showing a sales growth of minimum 30% for the past six months
- ROI of the distributor has increased from 25% to 120%

Paradigm shifts in sales

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Earlier focus – Primary sales targets and push to distributors

Now:

- Sales targets on Secondary (Distributor's) sales
- Focus on increasing secondary sales through higher:
 - Range – Average No. of SKUs per distributor gone up from 18 to 35 in five months, and is increasing
 - Reach – Average no. of retailers served by Distributor gone up from 25-30 to 60 and is increasing
- Sales force is incentivised to overshoot their target and earn more.



Elevate - NPD

The rate at which our company makes throughput is dictated by the rate of New Product Development for Aftermarket parts and address more applications.

Using the same distribution network to serve more and more application implies that the additional throughput becomes direct bottom-line for all participants (FFPL, Distributors and Retailers)

Implementing CCPM in NPD to increase flow and reduce Lead Time of introduction of new products

The results so far-

Rate of NPD (output of prototypes) has increased more than 80% in five months.

Overall results

We expect after market sales to grow by 50% this year over last year.



Anand Krishna

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- **Graduate in Science.**
- **MBA from University of Wales, UK.**
- **Diploma in Marketing Management from Chartered Institute of Marketing , UK.**
- **With over 17 years' experience in setting up and managing Distribution network, OEMs, OES and STU Operations in the Manufacturing sector.**
- **Trained Six Sigma black belt.**



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Kiran Kotheekar

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- **Director – Vector Consulting Group**
- **TOC consulting experience of over 7 years**
- **Working with Eli on “TOC Insight” for large consulting companies**
- **India Regional Director for erstwhile SFSCo**
- **Director Goldratt Group**



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