

# Unleashing Retail Success: Harnessing TOC Principles for Supermarket Growth

Presented by: Shashwat Dhakal & Ravi Gilani

Date: August 24, 2023





# About the company and operating environment

- Chain of supermarkets
- Annual revenue of around USD 60 million
- Mostly in the Kathmandu valley
- Industry defined by low margins
- Market dominated by small mom and pop stores or a big box department store
- Low per capita income hence not a very ready customer base
- Supplier base consisting of importers
- 70% products imported into the country hence very unreliable supplies

# Some fundamental principles

- Keep complexity level low by working with limited items
- Hold as much inventory as possible centrally and keep low inventory at stores
- Don't fill stores based on gaps on shelves but fill based on consumption
- Constantly improve on replenishment time to stores irrespective of volume of the store
- Build a very competent data management system and keep data of every article at every stock point accurate and up to date
- Avoid push based replenishment as much as possible. Mostly rely on pull based replenishment and avoid forecasting

# Challenges that necessitated the need for a TOC consultant

- We were not able to get our store level availability of articles to above 80%
- Constant pressure on teams to increase stock holding centrally so we wouldn't run out of stocks
- Constant pressure by stores to central teams on inadequate stocks
- Worries about the capacity of our central distribution centres to support our growth in store numbers
- Alignment of all members of the top team on one set of common metric
- Sticky overdue payables caused due to the various reasons listed above

# Learnings

- Unequivocal and single minded focus of the entire team on Throughput!!!
- Suppliers are not our enemies. Given that their needs are met, they can really help
- We can actually reduce our inventory and also increase our stock availability at the same time. These are not mutually exclusive
- As we've grown in the last 6 months, we've managed to reduce inventory and increase availability from 82% to 93%!
- Focus more on working to discard articles that are not performing based on the metric of T, T/I
- Better decision making by focusing on T, I and OE

# Results

1. Throughput increase by 33%
2. Sales increased by 28%
3. Profits increase by 200% compared to the same period last year

Not to mention, our vendor overdue payables are now down to zero and we now have more cash with which to expand our store network!

# Thank You

© Copyright TOCICO. All rights reserved. No part of this recording may be reproduced, distributed, or transmitted in any form by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the TOCICO. Except in the case of brief quotations embodied in critical reviews and certain other noncommercial uses permitted by copyright law. Any claim, controversy, dispute or cause of action shall be governed by construed in accordance with the Laws of the United States of America and the State of New York. For permission, please contact the TOCICO at [admin@tocico.org](mailto:admin@tocico.org).