

INSIDE



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DRIVING PAST SLOWDOWN

R. C. Bhargava, Chairman, Maruti Suzuki India Limited, talks about the unique strategies implemented to overcome the current economic crisis

SAHEEM WANI

Maruti Suzuki India Limited is India's highest selling car manufacturing company that has sold about 7.5 million vehicles in India and 500,000 in Europe and other countries since its inception in 1981. With a market share of over 50 percent at the end of fiscal 2007-08, MSI's turnover stood at Rs. 178,603 million.

Having been affected by the global slowdown, sales dipped after September 2008 for the next three months by 7.1, 27.4 and 10 percent respectively. However, in January, the company's sales increased by 5.39 percent. In February, the company achieved its highest ever domestic and total sales. Led by A-star, Maruti also registered the highest ever export sales.

Fasttrack shares the resilience of MSI in an interview with the man who runs the show:

How do you see the current financial crisis affecting India?

So far, India has been relatively less impacted by the global financial crisis. Our economic growth has slowed and demand in many sectors has shrunk for the time being. But there has been no crisis or collapse of financial intermediaries as witnessed in the developed markets.

The financial issues that have impacted India are, to some extent, related to our domestic policies. For example, the norms for repossession in case of a loan default have become more stringent. As a result, private banks have not been so aggressive in offering car loans.

Similarly, some of the liquidity issues witnessed late last year may have to do with our efforts to bring down inflation.

In the future, we have to see to what extent the crisis in the developed world will have a bearing on India.



"I believe that in these tough times, it is market leaders like Maruti Suzuki that have to stand out and be counted"

R C Bhargava, Chairman, Maruti Suzuki India Limited

A huge section of the Global Auto Industry has faced colossal losses. What about Maruti? Are any unique ideas being experimented to combat the slowdown?

We have to de-link the colossal losses faced by global auto giants and the situation of a company like Maruti Suzuki. Some of those companies may have been highly leveraged. They may have had other liabilities from the past. With the crisis in the US, Europe and Japanese economies, demand there has fallen. Currency movements have turned adverse. Together, all those have contributed to the losses of those companies.

As for Maruti Suzuki, the cash position is

healthy. Domestic demand, though below what was expected at the start of the year, continues at last year levels. While there is international exposure in the form of export of cars and import of certain raw material and components, the proportion of these to the total business is low.

Original ideas like 'One Component-One Gram' have been implemented — how far have they helped?

Thanks for complimenting the idea. One component-One Gram is an initiative launched by Suzuki Motor Corporation and Maruti

MESSAGE



HOPE FLOATS

Necessity spurs invention. Many companies in India have figured out ways to deal with the slowdown in their own unique ways. Maruti Suzuki, for instance, has implemented the One Component-One Gram idea where employees and suppliers are encouraged to scrutinise every component to see if there is any excess weight which can be reduced without affecting the performance. Though it may seem inconsequential, I am sure it has helped Maruti Suzuki control its costs.

The company has also launched programmes such as Kaizen where ideas from every employee are welcomed, some of which have been remarkably fruitful.

The focus from innovation has also not shifted and Maruti Suzuki has, in fact, adopted a proactive approach, releasing a model such as A-Star. Their production of models such as Swift and DZire have reportedly been enhanced, an indication things are really not as bad as made out to be. As an example, MSI's domestic demand continues at last year levels despite being below company's expectations.

The consumer durables sector has also shown an uptick, with companies such as Reliance announcing plans to set up store chains for home appliances and electronic goods. According to an *Economic Times* article, most mass consumer goods and services in India were not too affected by the slowdown. India, at least, seems to be forging ahead slowly and steadily.

From this issue of **Fasttrack**, we have started a section called SME Watch, to keep track of innovative ideas that companies come up with in tough times.

PAWAN JAIN
Chairman & MD, Safexpress Pvt Ltd

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Suzuki last year. It encourages employees within the company and the suppliers to scrutinise every component to see if there is any excess weight which can be reduced without affecting performance. This way, we will reduce weight of components, bring down cost and in some cases, may even bring down fuel consumption of cars.

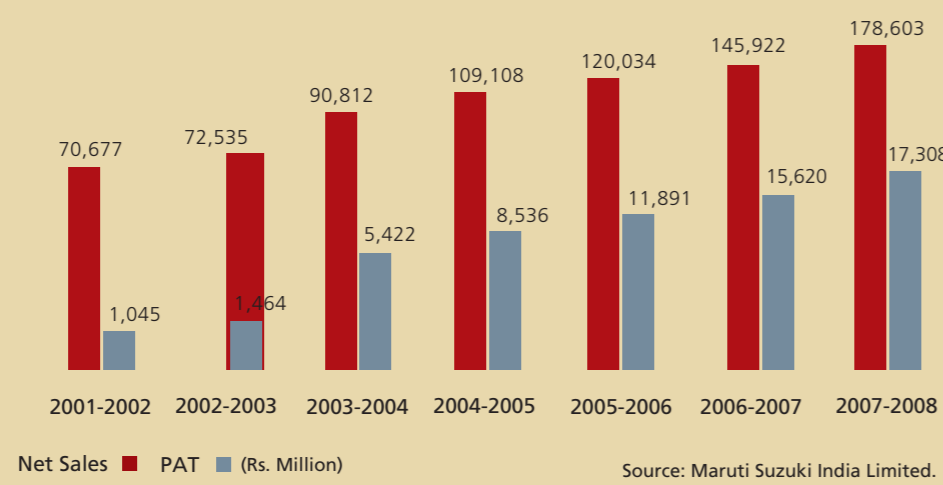
Here, we need to understand the spirit behind the initiative. It is to adopt a fresh approach to our work, and not become complacent only because something is being done in a particular way for years. One Component-One Gram is only one example of that approach. You will see this in many other initiatives, such as suggestions scheme, QC (quality circles) and Kaizen programmes where every employee is empowered to give ideas for improvement and innovation, and the company has gained handsomely on that account.

A lot of companies have been forced to undertake a mid-term course correction because the economic environment has changed in the last few months. Did you face a similar situation? If yes, what strategies have been applied to overcome the same?

A company that is unable to undertake mid-term course correction in these volatile times would find it difficult to survive. We, too, have undertaken course corrections during the year. For example, when demand dipped in the third quarter of this fiscal year (2008-09), we were quickly able to adjust production and minimise stock levels. Later, when demand seemed to perk up in December and January, we worked extra hours to meet customer requirement.

Similar course correction was evident in the mix of models we manufactured. Models like

Net Sales and Profit After Tax



Swift and DZire, which had long waiting lists despite the overall slowdown, saw enhanced production.

In such times, companies tend to focus more on cutting costs while innovation takes a backseat, but Maruti has been quite proactive you have launched a product like the A-Star. What kind of risks did you foresee in such economic conditions and yet manage to stay with the plan?

I would say cost cutting and innovation have to go hand in hand. To cut cost without impacting product quality and performance requires innovation.

I believe that in these tough times, it is market leaders like Maruti Suzuki that have to stand out and be counted. We have an established track record in terms of product quality, fuel efficiency, reliability and now, even international style and design.

Suzuki technology in small cars is globally

acknowledged. This, along with the sound position of the company, makes Maruti Suzuki the most risk free option for customers. So we have to take the initiative and launch new models. At any rate, we cannot let market volatility impact our long term plans for India. I believe Suzuki Motor Corporation and the Maruti Suzuki management are clear on this.

Does Maruti have a policy of preferred vendors? In such times, how does Maruti manage real-time inventory?

You are probably aware that Maruti was instrumental in setting up and developing the vendor base in India. We have developed a strong relationship with several vendor companies. In areas where the vendor companies can handle the load and responsibility we have single-source vendors to give them maximum benefits of sale. In other areas, we may choose to have more than one vendor depending on require-

Models like Swift and DZire, which had long waiting lists despite the overall slowdown, saw enhanced production

ment, capacity and so on. In these volatile times, it has been a challenge to manage real-time inventory. We have received tremendous support from our vendors in this regard. As for imported components, our vendors in Japan have had to be flexible in meeting fluctuating requirements. But we have done well so far!

Do you see this crisis as an opportunity for Indian companies to make their mark globally?

Indian companies have started to make their mark globally for some time now. In fact, Maruti started exporting cars to Western Europe as early as 1988. Crisis or otherwise, I think the way to go global is by not losing sight of the basics. Quality, cost, reliability, design, service – companies have to excel in all the areas for them to compete globally.

Perhaps, in a crisis, when demand is already low, companies will have to work much harder to convince customers to buy their product. ■

LEADERS

ON A GROWTH TRAJECTORY

Balvinder Singh Ahluwalia, President of Koutons Retail India, talks to Angelene Kaur about how the popular apparel brand has managed to tackle the present economic crisis

How has the fall in consumer spending affected the company's sales in the last two quarters?

A slowdown in the economy, no matter how marginal, always dampens consumer sentiments. We at Koutons have been fortunate that the slump hasn't affected us much and we have been consistently working towards our targets. Customers always look for better value for money and our USP is quality products at affordable prices.

How did the company fare in the recent festival season?

Retail has been affected as much as any other sector of the economy but the impact on Koutons was limited because of our business model, which is based on reasonably priced products. The company is still on a growth trajectory although the pace of growth has slowed down a little in the past few months.

The company's operations, whether based on the COFO model (company owned but franchisee managed property) or the COCO model (company owned and operated property), are all running successfully. The company's outlets are spread across the country. Hence, any dip in sales at the metro level gets compensated by the rise in sales at Tier II & III level towns. Overall, the sales figures have averaged out.

What role according to you has the availability and rental of retail space played in impact of the slowdown on the retail industry?

In today's changing times, both retail and realty are facing dynamic times. The slowdown has hit retail outlets considerably, pushing them out of expensive cities and malls in search for cheaper destinations. This poses both a challenge and opportunity for the realtors. While on one hand they have to identify ways to retain the retailers in the large cities and towns by finding innovative ways to increase footfalls, they can also look at developing retail spaces in Tier II & III where the retail boom is on an upswing.

How has the company's marketing focus changed in face of the sluggish demand?

The potential of India's retail sector may be huge, but soaring rentals, salaries and sluggish demand are making the journey a bumpy ride for retailers. Our marketing focus is on new products, such as Patent Club, and providing the right attire, at the right time, at the right place, at reasonable prices.

As we are committed to replenishing merchandise efficiently and on time. We have organized a method that focuses on specific fits/ sizes/ needs of a target market, which enable us to accurately forecast product requirements and replenish them without delay. To deliver goods at the optimum time has always been a challenge for companies. We have created a network of suppliers well in advance so that we can cater to the market needs on time.

Koutons understands the importance of consolidation and consistency. Being vigilant in the current scenario gives us an upper hand in being prepared for adverse situations as well.

Most apparel and accessories companies have increased discounts to boost sales. Has the com-



“Impact on Koutons was limited because of our business model, which is based on reasonably priced products”

Balvinder Singh Ahluwalia, President, Koutons Retail India

pany also increased discounts on apparels during end-of-the-season sales?

We are working on a special scheme but it will be too early to share the same with you. Details are being worked out. I can, however, assure you that they will be as lucrative as our previous discount schemes. Our focus is on adding new lines of dresses and accessories for women, clothing for kids and shoes for men.

What are the company's expansion plans (if any) for this year? Have they been revised over the last two quarters?

For now, the company is concentrating on the prevailing business model and focusing on the already running 1500 stores.

What strategies have you employed/are planning to implement to fuel sales growth this year?

For this year, Koutons' motto is replenishment, timely supplies and cost controls.

Everyday cost saving strategies can help our business grow. In this time of economic slowdown, we are eyeing low rentals and operational costs for galleries. We are renegotiating rentals and shifting stores to places where rentals are low but which have high potential for growth.

What steps do you think the retail sector, especially the apparel and accessories industry, should take to deal with the dip in consumer spending?

The apparel sector, like any other industry, is very dynamic in nature and, therefore, anyone stepping in it must be prepared to face the turbulence. An eye for excellence, a vision to grow, and sincerity to values and principles form the basis for the sector. ■

For this year, Koutons' motto is replenishment, timely supplies and cost controls

ANGELINE KAUR

As the economic slowdown continues to wrap its tentacles around most businesses, consumer confidence is shaky, demand – be it for products or services – is sluggish, and financing options for consumers are dwindling. With consumers tightening their pockets, the consumer durables sector has not managed to escape the impact of the slump.

Business Standard reported in February that the branded air-conditioner market in North India, which accounts for about 40 percent of the total sales in India, only grew by about 10-12 percent last year instead of the expected 25-30 percent. Industry observers said manufacturers increased production in anticipation of high growth and landed with supply exceeding demand, thereby putting pressure on their profit margins.

An *Indian Express* report spoke of Videocon Industries cutting down production of refrigerators, washing machines and air-conditioners in the first quarter of this year as the company was finding it difficult to sustain utilisation of its existing production capacities.

Silver lining

However, despite the dip in demand and the resultant reining in of production, an analysis carried out by the *Economic Times* revealed that most mass consumer goods and services in India were not too affected by the economic slowdown. The second-quarter results of leading 70 consumer-related firms revealed that their aggregate revenues increased by 8.5 percent during the September 2008 quarter compared to the same period of the previous year.

Most consumer durable companies experienced double digit growth in the last quarter of 2008. For example, LG Electronics India reported nearly 20 percent growth for last year.

In November, Reliance Industries revealed plans to set up 55 stores for home appliances and electronic goods across India.

ET also reported in November last year that a global consumer confidence survey shows Indians with the second most optimistic attitude (after Norway) on the global financial slowdown.

Remaining resilient

For the most part players in the Indian durables industry have remained resilient, if not untouched, by the dip in demand. Focus on streamlining the Supply Chain, and sales from the rural sector and Tier II and III cities, where demand still remains strong, have acted as buffers for the durables sector.

While sales from non-metros have remained stable largely due to the preference of cash payments by consumers, tweaking Supply Chain operations to suit sluggish demand has taken some effort.

Although individual companies have employed different tactics to apprise each stakeholder across the Supply Chain, the emphasis across the durables industry has been on curtailing stockouts and oversupply. Thus, inventory management has been analysed in great detail to plug loopholes and cut costs.

A case in point is LG, where stock turns have been reduced to suit the change in demand. Says Sachin Srivastava, DGM, Supply Chain for LG: "We went through many internal reviews and meetings to tweak inventory turns so that they match the current requirements of customers. We had to keep in mind both, providing the right



WEATHERING THE STORM

The consumer durables sector has held fort and is forging ahead despite sluggish demand

An analysis carried out by *Economic Times* revealed that most mass consumer goods and services in India were not too affected by the economic slowdown

product as well as maintaining the right amount of inventory. For that, we drastically reduced the number of inventory turns."

Along with optimising its own inventory, LG also ensured that the changes flowed through the Supply Chain to vendors. The company communicated the need for suppliers to align raw material to LG's new requirements. Since most of its vendors work on the JIT model, it was imperative for LG to explain their growth strategies to them in detail to ensure optimum raw material inputs.

Another area where costs could be better managed was distribution management. LG evaluated its current practices and decided to switch from monthly planning to a weekly planning mode. This not only helped in more precise tracking of inventory, but also helped to better align stock to sales forecasts.

"We held in-depth discussions with our transporters – and they have been with us for a long time so we share a very healthy relationship with them – and explained to them how the current

economic conditions demand a change in operations. Since we operate on very high volumes, we had to figure out a system where we could bring down freight costs by saving on fuel through reorganising our distribution cycles. And we managed to achieve that quite successfully," Srivastava says.

Streamlining Supply Chain management inadvertently means increasing transparency and ease of access to information across the board. This was enhanced at LG by supplementing its existing IT infrastructure with an increase in bandwidth, upgrading existing systems, installing new equipment where needed and employing

additional technical resources. Refuting rumours of a drop in sales during the recent festival season, Srivastava says LG has been consistently on its target growth path.

"In fact, we surpassed our expectations during the festival season and our highest turnover for last year was in October," he says.

Staying afloat

And how did LG manage to stay robust despite the slump? "I believe our strength lies in our ability to manage our inventory. With that in place, we have been able to have better working capital. Consequently, our borrowings went down and we were actually managing cash flow in a surplus mode," he says.

"Our finance department also contributed significantly in helping us manage our cash flow by giving us better payment cycles and allowing us to be flexible with vendor payments. We, thereby, increased the rotation of payments. For example, if we used to make payments twice a month, we increased it to three times. But this

was done on a case-to-case basis, not as a general rule."

When asked what other cost-saving plans were in the pipeline, Srivastava explained that each department of the company has been given specific targets for cost optimisation and these targets have been documented and signed. "I'm confident that the departments are on track and will meet set targets," he says. "And for FY 2009-10, we expect to grow by at least 20 percent."

LG is just one example. The rest of the durables industry is not taking any chances either and has been silently but surely working to combat the slow demand.

Godrej Appliances has reportedly brought down its overall Supply Chain inventory by about 30 days and 35 percent (*Yahoo News*), whereas Videocon, Voltas and Whirlpool are said to have cut down their credit limit to dealers (*Economic Times*).

The outlook though uncertain is certainly not dismal. Consumer durables manufacturers expect a 15-20 percent growth for home appli-

cances and a 12-15 percent growth in consumer electronics, according to *Economic Times*. Industry analysts rule out any significant drop in prices, which have stayed stable since the beginning of this year.

Not that bad

Says Srivastava: "Although it may be too soon to say anything, I feel that the fear of economic slowdown is quite high but the actual situation is not as bad. If you look at the Indian economy, it is not really headed for a downturn. There are positive indicators, such as stimulus packages by the government, which have already been announced twice, and if that continues then I think by June we will have the slowdown behind us. It is only a matter of time and the people have to be patient in terms of understanding the situation and to not overreact."

With a mixed bag of industry reports on one hand and optimistic players like LG on the other, guess all we can do is wait and see what coming times hold in store for consumer durables. ■



"If you look at the Indian economy, it is not really headed for a downturn ... people have to be patient in terms of understanding the situation"

Sachin Srivastava, DGM, Supply Chain, LG

FROM DAZZLE TO DULL

The Gems and Jewellery Industry adapts to change and targets new markets in a bid to outshine the economic slowdown

SAHEEM WANI

The sparkle in many a eyes fades as the economic slump cuts the gems and jewellery fairy tale short. As many as 150,000 people are on the streets in as less as eight months, with exports plunging by 6 percent in the first quarter and upto 34 percent in the third quarter, compared to the previous fiscal. The Indian Gems and Jewellery Industry, the world's largest consumer of gold, its biggest importer, processor and exporter of diamonds, is fighting for survival.

Market overview

India accounts for 800 tonnes or 20 percent of world gold consumption, of which nearly 600 tonnes go into making jewellery. With its cut and polished diamonds, coloured gemstones, pearls, gold, non-gold and fashion jewellery, it holds nearly 50 percent of the international market. The industry has the best skilled manpower for designing and producing high volumes of exquisite jewellery at low labour costs, and every 11 out of 12 diamonds sold around the globe are processed in India regardless of where they are mined.

Over the past years, the Gems and Jewellery Industry had been one of the fastest growing sectors of the Indian economy with an annual growth rate of approximately 15 percent. Of the \$50 billion industry, exports accounted for over \$20 billion in 2007-08, contributing nearly 13 percent to India's forex kitty. From \$16.6 billion in FY '06 to \$17.1 billion in FY '07 to a whopping \$20.9 billion in FY '08 – the industry had shown a growth rate of 22.27 percent, until recession hit the US.

Lossing the sheen

"Jewellery exports nosedived in 2008 with no bulk orders from big retailers following recession in the US and European countries," says Rajiv Jain, vice chairman of the Gems and Jewellery Export Promotion Council (GJEPC). "Overall exports of gems and jewellery from India stood at \$987 million in April-November, showing a decline of over 34 percent compared to \$1.5 billion during the same period last year. With a fall in demand of our products, there is an aggregate decline of 2.29 percent over the same period compared to the last fiscal," he adds.

The US (\$5,461.05 million) and Hong Kong (\$5,354.54 million) were the largest importers of gems and jewellery from India with a share of 26 percent each, followed by UAE at 21 percent. Almost 50 percent of Hong Kong's share is re-exported to the US making the Indian market extensively US dependant.

Priyanshu Shah, executive director of one of the world's leading diamantaries – Asian Star Co Ltd and CEO, Jewel Art, opines: "A decline of 20



"We are gradually addressing all grievances by implementing a new approach"

Rajiv Jain, Vice Chairman, Gems and Jewellery Export Promotion Council (GJEPC)



"The industry has to explore fresh avenues in order to prevent cost reductions or desperate sales"

Priyanshu Shah, Executive Director, Asian Star Co. Ltd.; CEO, Jewel Art

Jewellery exports nosedived in 2008 with no bulk orders from big retailers following recession in the US and European countries

percent on exports in the month of February has made the situation grim. Furthermore, in an acute liquidity crunch, maintaining the price is a big challenge." While diamonds accounted for 64 percent of the total exports last year, gold jewellery accounted for 30 percent. Coloured gemstones and other items accounted for roughly 1 percent each.

Damp season

Almost half of the orders for Surat's diamond traders and jewellers come during Christmas time; however, this time they got orders based on quarterly requirements. "The holiday season sales in the US, the biggest diamond jewellery market, were down by 20 percent this year," Shah says.

The woes are endless. According to Jain: "The biggest challenge is to sustain and retain the manpower in a depressed market. Over 1.3 million people and their families depend upon this industry which has been hit hard. A sluggish overseas demand has pushed the industry to cut production and lay off workers. Thousands of employees have lost jobs, though measures are being taken to curb further chaos."

The first half of 2007 had seen a 70 percent rise in the demand for Indian jewellery as com-

pared to the same period in 2006. A vertical fall in demand in present times is the core concern. GJEPC's Jain says: "We are gradually addressing all grievances by implementing a new approach." Various steps are being taken towards taking the industry out of the current peril. With major global markets being badly hit by recession, the Indian Gems and Jewellery Industry has been pushed to explore new vistas in order to boost sales.

Both Jain and Shah talk about spreading trade to emerging economies of southern CIS (Commonwealth of Independent States) countries, east European nations, Asia-Pacific, Asia-Arabia, Brazil, China, etc. "The burgeoning domestic market has attracted a number of companies to invest here, this is also the right time to shift focus to rural India's market potential. Asian Star has six offices inland," Shah adds.

Jain further talks about possible cost reduction to pump demand, to which Shah differs, "The industry has to explore fresh avenues in order to prevent cost reductions or desperate sales."

Steps have been taken to consolidate the entire industry and bring relief to the afflicted labour force. Jain explains: "In an attempt to help artisans, GJEPC has proposed the

'Employment Sustainance Scheme – Gujarat.' The council has urged that professional tax on artisans engaged in the Gujarat jewellery industry be abolished. The association is also seeking better facilities to enable artisans to maintain and improve their skills. In my factory, I have reduced the weekly working days to four, and have cut wages by 25 percent; a method that is being implemented by a majority of jewellers to retain their workforce."

Cheaper options

In Shah's view, economic slowdown might usher in light-weight jewellery, semi-precious gems as good trade options. Both industry heads stress on improvised marketing. Jain says: "We have limited availability of funds for the purpose, however, the council is promoting the Indian Gems and Jewellery Industry to its utmost; the India International Jewellery Show (IJS) Signature was held in Goa on February 20."

In October 2008, the government had withdrawn a 4 percent interest rate subvention granted to jewellery exporters. Subsequently, in a stimulus package last December, it extended a 2 percent interest rate subsidy till March 31, which has been duly extended.

Representing the council, Jain says: "In view of the present state of the industry, a 2 percent subvention is too less; it should be increased to 5-7 percent. At present, we are paying 9 percent which is far too high." In addition to this, Shah concludes: "Electricity charges on CPD units should be reduced by 50 percent, increased liquidity and lower interest rates on loans, plus reduced customs duties on imported equipment and machinery are the need of the hour."

It's a glimmer of hope this industry is yearning for. ■

TRICKS TO CURTAIL RISKS

Risk management can get tricky especially when suppliers are plenty and spread out. Here are some tips to rev up Supplier Risk Management

ANGELENE KAUR

There is no longer a debate on will it or won't it – the slump has hit and, more likely than not, will linger for a while. Businesses, across industries, have gone on the offensive. Processes have been tweaked, budgets have been slashed, employees have been laid off and expansion plans have been curtailed.

At times such as these, when the economy's future – both global and domestic – is uncertain, it becomes imperative for companies to also pair the flurry of cost cutting activities with initiatives to insulate themselves against unnecessary risk.

Driven by cost-saving strategies, trends of off-shore manufacturing, global outsourcing and lean sourcing have left the Supply Chain vulnerable, especially during the current slowdown. In other words, modern Supply Chains with widely dispersed customer and supply bases run a substantial risk of pitfalls and performance failure.

Supplier risk

While it is essential for risk managers to embed Risk Management practices across the Supply Chain, the "supplier link" deserves extra attention. Right now, avoiding supply disruptions and oversupply are even more critical than before for the chain because an unforeseen and undesired fluctuation in inventory could upset the best-laid cost-cutting plans.

What does managing supplier risk really entail? Apart from ensuring that there is ample quantity and desired quality of supplies needed to meet consumer demand, the term also involves anticipating and protecting the company against supplier events that could hurt the firm's reputation or affect it financially or legally. Developing an effective Supplier Risk Management programme involves the following steps:

- 1) Focusing on the company's objectives and gearing the risk mitigation programme toward organisation goals.
- 2) Engaging stakeholders, such as top management, strategic partners and suppliers, internal departments (health, marketing, legal, financial,

etc.), in Risk Management.

- 3) Collaborating and communicating with suppliers to align them with the objectives of the programme.

- 4) Defining clear and achievable benefits that can be captured and measured immediately. Quick benefits will encourage compliance and adherence to the programme by stakeholders.

- 5) Incorporating technologies that enhance the efficacy of the programme.

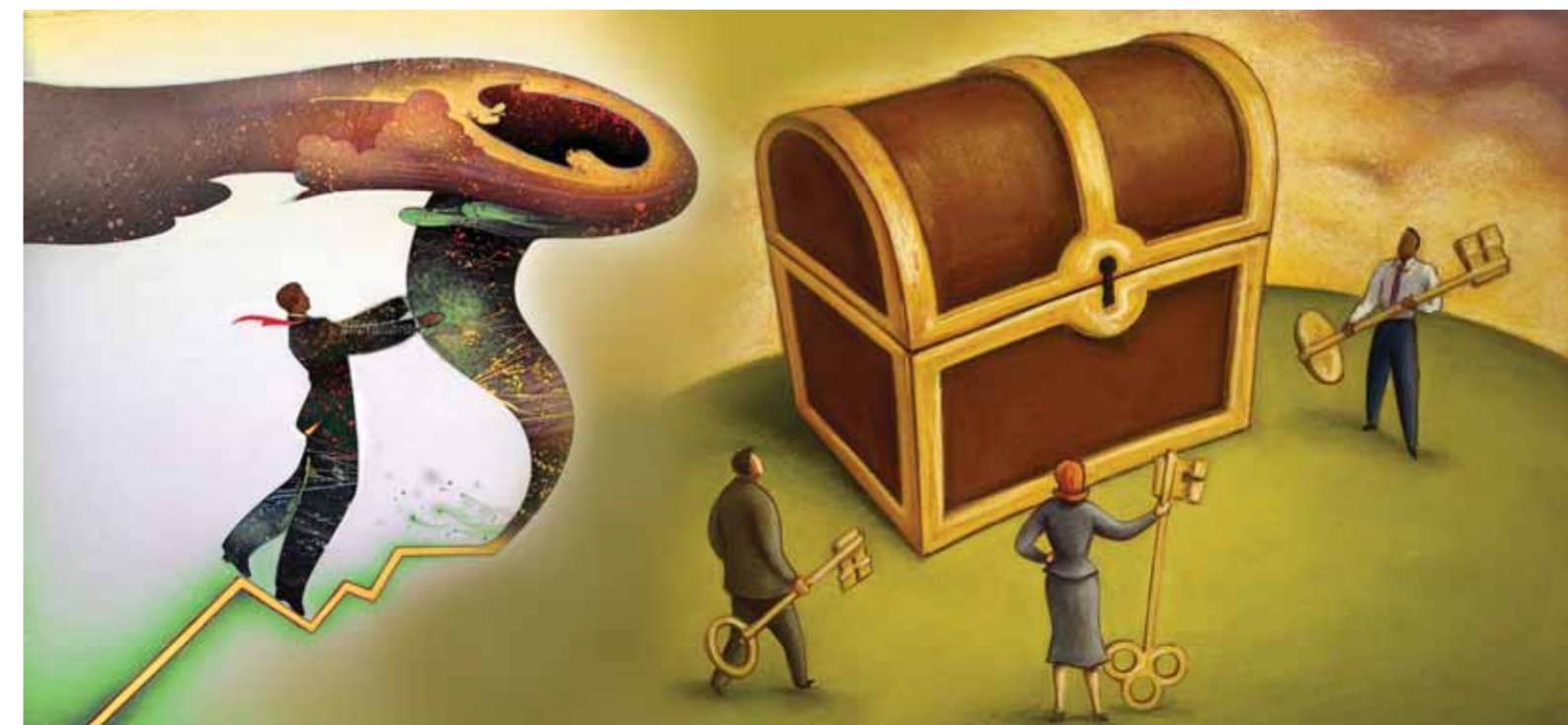
- 6) Viewing Risk Management as a continuous process and not an event.

Supplier selection

Most companies, be it product or services providers, already have robust Risk Management policies in place. However, not all of them give supplier risk the attention it deserves and could do much more to know their suppliers better. Evaluating them on stricter parameters prior to selection and incorporating risk mitigation into processes and sourcing strategies along with the typical Price, Quality, Delivery and Design dimensions could aid Supply Chain and risk managers in curtailing unforeseen snares. Some pointers that could help supplement a company's existing supplier selection process:

- 1) Develop a robust risk-based monitoring framework and ensure regular performance monitoring with special focus on critical suppliers.
- 2) Based on performance results, implement supplier development programmes to build up suppliers who are cost friendly but pose other "fixable" risks.
- 3) Provide feedback to suppliers about their performance and advise them on improvement tactics.
- 4) Maintain a centralised, easy-to-access supplier database, which provides their risk rating scores, per-

Modern Supply Chains run a substantial risk of pitfalls and failure



formance details and certification information. This can serve as an advantage especially for a large company where multiple managers are handling Supply Chain operations.

Supplier assessment

One approach for supplier assessment could be to look beyond third-party audits and quality checks, and independently evaluate suppliers and their processes specifically for any risks that they could pass on to the rest of the chain. For example, Supply Chain managers too often focus on primary suppliers and ignore tier-2 or tier-3 suppliers, i.e. the suppliers' suppliers. How your suppliers keep a check on their suppliers' quality standards, how often they pay them, what processes do they employ – all could indirectly impact the extended Supply Chain.

"Certain parameters like amount of spend and returns on Risk Management investments are counter-intuitive in Supplier Risk Management," says Anand Singh Bhaduria, senior general manager-SCM of OSRAM India.

Bhaduria suggests risks can be better managed by clubbing them into categories such as:

- 1) Geographic risks, which focus on the risks associated with a certain region or country, including political conditions, infrastructure conditions and currency fluctuations.
- 2) Industry or commodity risks, which refer to a specific sector or commodity group, for example, automakers. Labour shortage, supply-demand volatility and industry trends fall into this category.
- 3) Environmental risks, which refer to risks such as natural disasters or wars.

An additional risk to watch out for is that a lot of suppliers are going through their own financial crunch and just might fold up operations in face of the current slowdown. Ensure that you have a contingency plan in place and keep an eye on critical suppliers that could buckle under economic pressure.

"Supplier risk can never be eliminated, but it can be significantly brought down," Bhaduria says. In the short term, it means investing time and resources in developing a Risk Management programme. But in the long term, the benefits far outweigh the investment. And keeping the current times in mind, every little bit helps. ■

SAFEEXPRESS TRIUMPHS

The past three months were packed with action, achievement and acknowledgment for Safexpress. In January 2009, Safexpress partnered with Images Group to organise 'India Fashion Forum 2009' in Mumbai where retail giants converged to discuss growth strategies for fashion retail businesses. Safexpress showcased its latest offering, Stock2Sheff – a professional supply chain service for retail stores in malls, to address the long-felt need for lack of customised services to these players.

Taking the 'Knowledge Leadership' a step further, Safexpress, in association with Symbiosis Institute of International Business (SIIB), organised 'Aarohan



2009' – A Supply Chain Summit and National-level Case Study competition. Vineet Kanaujia, G.M., Marketing, Safexpress, was one of the eminent judges who offered his viewpoint on Supply Chain and its role in the current slowdown.

Safexpress was awarded with the prestigious 'Brand Loyalty Award' in the Supply Chain and Logistics category at the 2nd India Loyalty Summit 2009 held in Mumbai. The summit is the single largest Brand and Customer Loyalty event in Asia. This award is a glowing tribute to the strong brand equity of Safexpress.

Moving to contribution to the Retail Industry, Mr. Pawan Jain, CMD, Safexpress was conferred with 'Retail Leadership Award' at the Asia Retail Congress 2009. The prestigious award was given in recognition of the achievements of Mr. Jain for bringing innovation, excellence and quality in the field of Retail and Logistics. Safexpress



was also awarded the 'Effective Retail through Supply Chain' for Retail Excellence at the congress.

Safexpress was honoured with yet another prestigious Award for the 'Best Service Provider' in the 'Logistics Management Leadership Summit 2009' in Mumbai.

SAHEEM WANI

Ask, and you will receive. Search, and you will find. Knock, and the door will be opened for you. That's exactly what the burgeoning Indian local search industry is all about. Adding a new dimension to the internet, these unconventional local search engines provide information not just about Indian websites, but about the real-world India.

Some years back, finding Lebanese food in the middle of Delhi would have meant asking half a dozen *bhaisahabs* and *behenjis* for directions, wondering what kind of a place it would be and whether the cuisine will even be authentic. Luckily, India is changing.

From when (is the new movie releasing), why (you should try out the new coffee shop), who (will teach you guitar near home), what (is happening in the city this weekend), where (the stocks are rising) and how (to book the cheapest cab) – local search engines are surely your most comprehensive and cost-free city guides. Just log on to the net or simply send an SMS, the rest will be taken care of.

India calling

A study conducted by the Internet and Mobile Association of India (IAMAI) shows that there are approximately 45 million internet users in India.

Internet is mainly used for the purpose of search, after e-mail. The Indian search-engine market has shown an incredible growth of 100 percent over the last year and has generated a revenue of \$112.5 million for FY '08. Which explains the sprouting of over 25 local search portals within two years.

The first Indian local search engine, Guruji.com, launched in 2006, covers more than 40 cities and provides information on private and government entities.

Anurag Dod, CEO and Founder of Guruji.com says: "The product portfolio consists of web search in seven Indian languages, image search, music search, finance search, city search and movie timing search. Some of these products like web, image and city search are also available through our mobile platform."

There are over one billion searches made by Indians every month. Out of



LOG ON FOR LOCAL FLAVOUR

Finding what you want has become a lot easier with local search engines. **Fasttrack** explores their expanding territory

this, over 308 million searches run with ads generating almost 5 million clicks.

This has attracted 40,000 advertisers, the number of which is growing. The money they bring with them is more than \$52 million, of which Indian advertisers contribute \$16 million. No doubt, Search Marketing has come of age in India.

With almost 25 percent of these

web searches being local in nature, local search engines have a promising future.

Modus Operandi

The mode of functioning for these sites is more or less the same. Apart from the generic listings which are free, revenue is generated from businesses which want to add specific information to their ads.

Even though it seems logical to use India-specific search engine for a local search, the survival and growth of these nascent portals seem to be a concern in a world that has been Googled long ago.

Shriram Adukoorie, co-founder of AskLaila.com, a Bangalore-based portal covering 12 cities, begs to differ. "The relation that we, as local portals, share with the search giants is dual; it

is competitive as well as complementary as many of our views are generated via the results displayed on these sites," he says.

Business is mushrooming. And so are the innovative features of these portals. An array of features are being introduced, heating up the competition. With Guruji introducing Guruji music, Guruji finance, tying up with Infomedia Yellow Pages and going vernacular; and AskLaila launching a mobile version in collaboration with Airtel, masses are being increasingly lured.

Special features

Around 500 million people speak Hindi in India and abroad, and the total number of people who understand the language is estimated to be around 800 million.

"What sets Guruji.com apart is our focus on the Indian market and the Indian consumer. China has become a big internet economy because of content availability and accessibility in local language. To grow at the same rate, India needs to focus more on the vernacular. Only then would the Indian consumer be truly empowered," Dod says.

Mobile phones outnumber personal computers by six to one in India. AskLaila-powered Airtel search will reach more than 30 million users. "Moreover," adds Adukoorie, "AskLaila has developed the 'forgiving' search, which enables one to get an exact answer for any query having a typographic or syntax error."

Constant challenge

Most of these search engines employ the 'crawl' or 'spider' technique. They crawl through the pages on the World Wide Web and note all the words used in the copy, bringing the relevant words together.

Adukoorie points out: "It is a constant challenge to keep the database alive and the information exhaustive, but that is exactly what distinguishes a good search engine from the crowd. At AskLaila, we verify the content, like addresses, phone numbers, etc. before and after posting it."

Says Dod: "Over the next five years, internet would become a mass avenue, integrated with our lives and the responsibility of managing the information explosion would lie on search engines."

Looks like the local search industry is here to stay. ■