

BDM Capstone Project

(Proposal Report)

**Optimizing the Business Model of a Retail Steel
Furniture Business**

Submitted By –

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OPTIMIZING THE BUSINESS MODEL OF A RETAIL STEEL FURNITURE BUSINESS

EXECUTIVE SUMMARY

Nav Bharat Sales is a retail steel furniture business, since 1983, running by a family. They sell steel products like Almirahs, Coolers, Dewans etc. It is a profit-making business but the owner is not able to find any visible growth from establishment till now. After finding the root cause, it showed that their expenses to run the business is high, also Indori Almirahs (a product which is very high in demand these days) not giving them reasonably good profit margin because they import these almirahs from other city that increase their cost price and they have to suffer with the profit.

Almost all the retail businesses are buying these Almirahs from other cities because there are very few manufacturers in Gwalior city, who are unable to fulfill the demand. Nav Bharat Sales also had some visions to expand their business and that's why I conclude, if we remold this retail business into a manufacturing unit, it will increase their profit margin and optimize the overall growth.

From this study I will try to find whether this manufacturing unit will increase the profit margin or not. And also, I will calculate all the things related to remolding this business.

BUSINESS DESCRIPTION

Business Name: Nav Bharat Sales

Location: Jinsi Nala No.1 Lashkar, Gwalior, Madhya Pradesh, 474001. [click here](#)

Description:



Nav Bharat Sales is a retail steel furniture business. The shop is located in the main steel furniture market of Lashkar Gwalior. And it has been in the market since 1983.

It is a family business. And the founder is Mr. Ram Narayan Kushwah, after him the business was succeeded to his 6 sons (but unfortunately 3 of them are no more) and now it is running by 3rd generation. The annual revenue of the business is around xxx according to the owner. Nav Bharat Sales has 3 employees from which one is salesman and other are workers.

Mr. Shubham Kushwah (3rd generation of the clan) told us about the products that they are selling. Mostly they sell steel almirahs, coolers and diwans (a bed with internal compartment), they also have folding beds and mattresses, but as they do not showcase these products in the shop, due to lack of space, the sale is comparatively lower than other products. There are different kinds of almirah like office, wardrobe and shelf, but the star product is Indori almirah, which is basically a powder coated almirah that they have to import from Indore itself. They also provide customization, but not on readymade products.

They also had some future plans to expand the business but due to demonetizations and Covid conditions from a past few years the business didn't do well and they dropped those plans.



Dewan



Cooler



Indori Almirah

OBJECTIVES

1. To improve the profit margin of the business by remolding the retail firm into manufacturing.
2. To determine the different techniques that will optimize the business problems like customer retention, customer satisfaction and warehousing.

BACKGROUND OF PROBLEMS

OBJECTIVE-1:

There is a decline in profit percentage while the revenue is increasing every year. Nav Bharat Sales only sells readymade products, that they buy from wholesaler business or import from other cities.

At this time Indori Almirahs are the bestselling products and contribute a large part in the revenue because this product doesn't depend on season like coolers. But as they are importing these almirahs from Indore, they are suffering with low profit margin because of higher cost price, on the other hand coolers have a comparably higher profit margin because they assemble them from different parts like body, motor, fittings and pump etc. They are also losing hands on supply of Indori Almirahs because of the long distance between Gwalior to Indore and high demand, due to which they are losing some of their customers also. Sometimes because of higher demand the wholesalers cut short the supply and ask for higher prices than usual which is one of the major issues.

Except all, they had some plans to set up a manufacturing factory of powder coated almirahs, where they want to make it from scratch.

OBJECTIVE-2:

The business is running from a "shop cum home" building. They have their shop on the first floor and on top of that they have the house. But the most interesting and worrisome thing is that they have to pass their customers to the house, because the home is playing the role of go-down, which is quite an unpleasant experience for their customers.

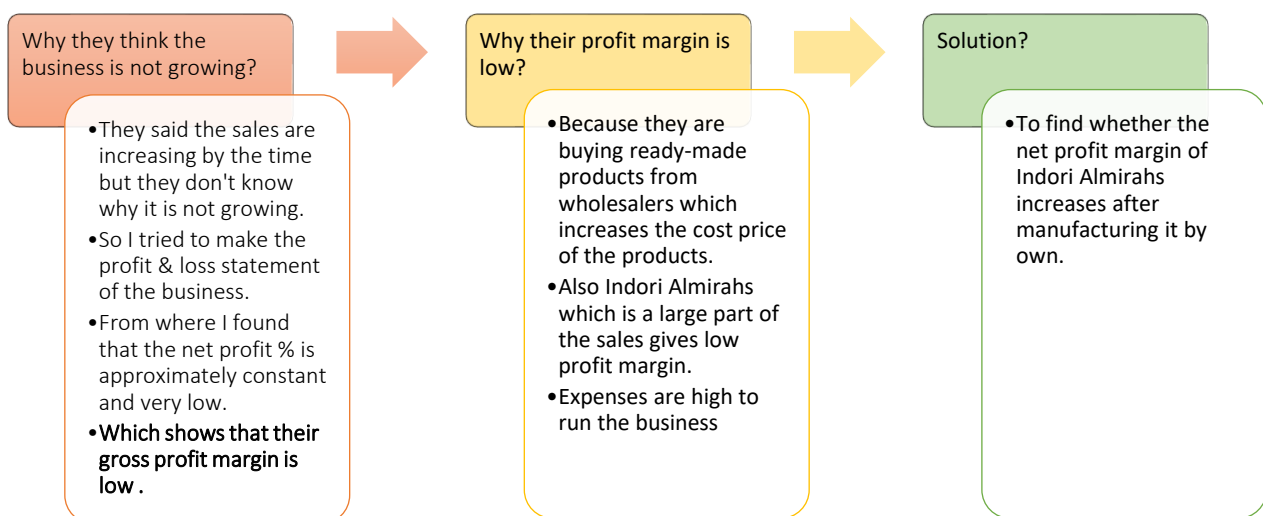
On the other hand, they have one more go-down which is quite far away from the shop and sometimes customers refuse to go there and it is not always possible to get the product on the shop.

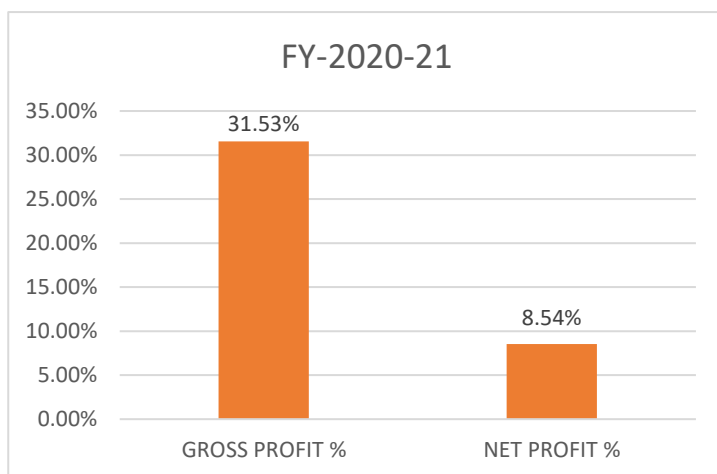
Also, the shop is not so attractive in terms of other competitors in the market, although the area of the building is quite big but the shop has very less space to showcase these heavy products, and that's why they are unable to attract the customers. But the family is planning to build the building and separate the business from home very soon. But as the process of making buildings is not a task of minutes, we would adhere to make some changes in the current setup so that it can help the business.

PROBLEM SOLVING APPROACHES

The business is facing so many problems like less profit margin, shortage of supply and continuously going back of customers, which are interconnected to each other. That's why I had tried to find the root cause of all these problems. For finding the root cause I have used **“Why-Why Analysis”** because there were layers of problems and for uncovering them layer by layer Why-Why Analysis is one of the best choices I have found, because it tells the underlying problems of a problem.

On the very first go I had tried to understand the business, the products and services they are providing. After that I asked them “How is the business going these days?” on this question they talked about the basic problems of their business, that the sales are increasing every year but the growth is not visible in the business. From there I started the analysis for the root cause.





I have tried to make the profit & loss statement of Nav Bharat Sales for two financial years (FY-2020-21 & FY-2021-22). From where I found that there is a difference of 23% between gross profit% and net profit%, as the expenses for running this business are high, they need a higher gross profit margin to increase their net worth.

Data collection

Nav Bharat Sales is an old shop and they are still using the conventional methods to store their data in notebook ledger, as well as they don't have the organised data for their sales except GST returns in which they show aggregate turnover and purchases. As most of the data is unstructured, scattered and ruined, it will be difficult to get the data of 2-3 years and that's why the dataset may be small.

For this study I will try to collect the below data:

- Purchase data of different products (max of 1 year)
- Sales data
- Price of ready-made Indori (Powder Coated) Almirahs
- Data for raw material of Powder Coated Almirahs
- Data of different machines for manufacturing
- Cumulative data for building the workshop

Note: In the above points there will be a chance of amendment of more data according to the needs of the study.

The data for "Ready-made product" and "Purchase" will be extracted from the ledgers. As they don't have the "Sales data" so this has to be extracted from past bills. For setting up the manufacturing unit of Powder Coated Almirahs broadly we need land, machines, raw material, men and electrical power. From which they have their own land which is sufficient for a

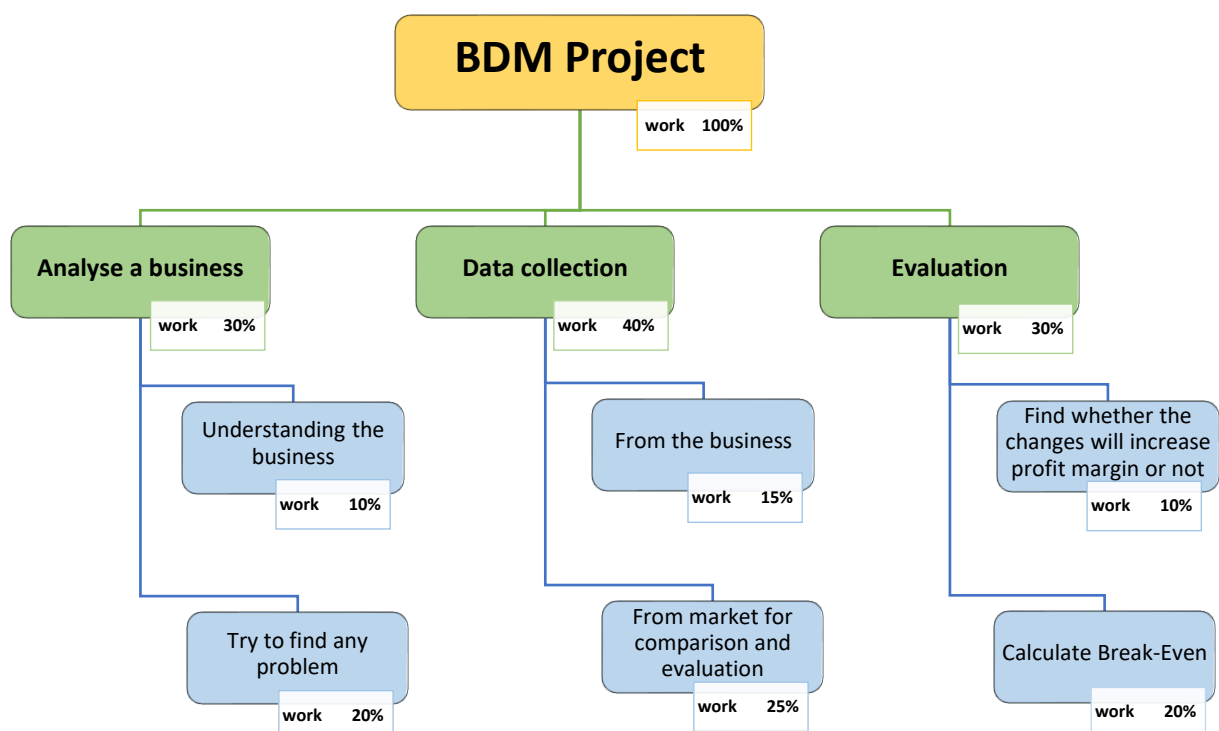
manufacturing unit. The other data for “Machineries and Raw material” I will collect from local markets and online distributors to get the best price.

Also, the manufacturing unit needs electricity supply, water supply and workshop for the workflow. I will try to get the official data for electricity and water connection for commercial purposes. And the cumulative cost for building the workshop of this manufacturing unit. All the above data will be useful for evaluating the break-even of this remoulded retail business into a manufacturing firm.

Analysis tools

I will use excel as an analysis tool for this study because the data will be not so big and most of the comparing tools and techniques, I will find in excel. For presenting the data again I will prefer excel because it provides a majority of pictorial representation facilities. If there will be any need to use other tools, I will add it to my study for the better evaluation.

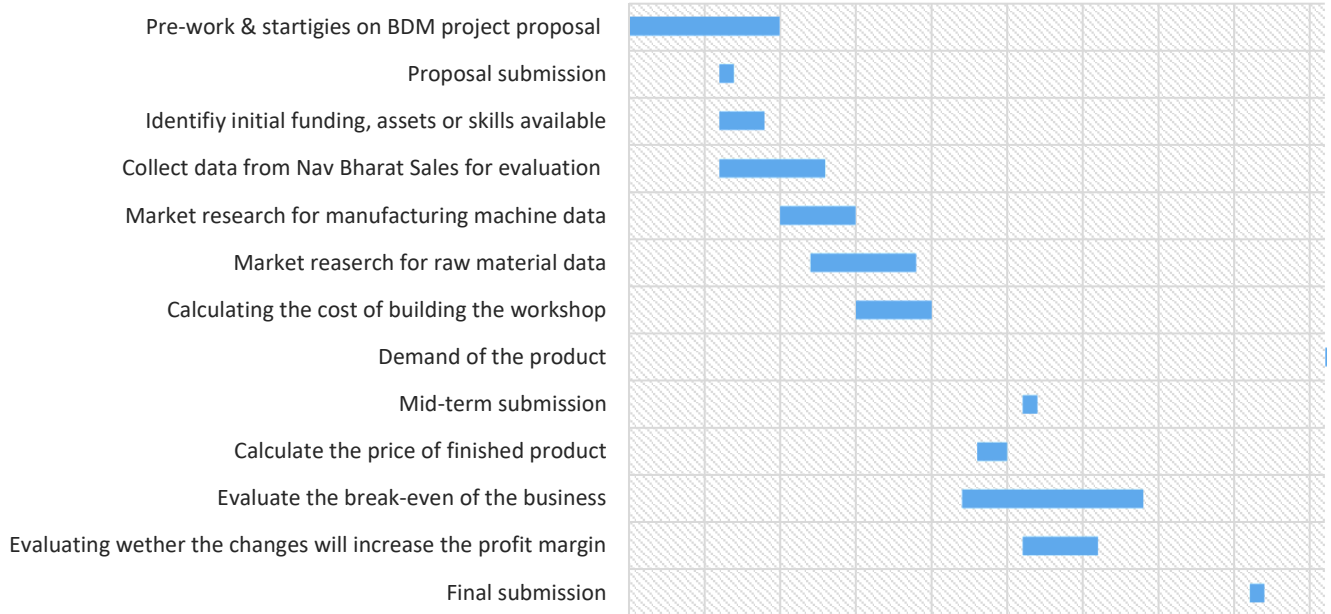
EXPECTED TIMELINE



WORK BREAKDOWN STRUCTURE

GANTT CHAT

10-Mar 15-Mar 20-Mar 25-Mar 30-Mar 04-Apr 09-Apr 14-Apr 19-Apr 24-Apr



EXPECTED OUTCOME

At the end of this study, I want to check whether this manufacturing unit will increase their profit margin or not. And after how much time the investment of the manufacturing unit will be recovered.