

Indian Sweets

Your client is an Indian sweets manufacturer who is facing a decline in profits. He wants your help. How will you proceed? Assume I am the client.

Preliminary Questions

How much have our profits declined by?

There has been a decline of 20%.

For how long has the company been experiencing this decline?

It's a recent issue, since the last 2-3 months.

What exactly is our product?

These are toffees, like a Mentos. Also, this is a commodity product.

Which regions have seen this problem?

All of India. There are no region wise disparities.

Where do we lie in the value chain?

We send the toffees to the distributor who sends them to large retail stores (10% sales), medium retail stores (30% sales) and small stores like Paan shops (60% sales). They further sell the toffees to the end customers. We are just the manufacturers.

Is this a company specific issue or have other's in the company seen this trend as well?

We have no information of that.

Analysis

I would like to break down the profit structure of the client into revenues and costs.

Breaking down the profit structure is a good way to proceed. Let's go ahead with that.

In which retail segment has the client seen the decline in profits?

The small retail stores (paan shops), which account for 60% of our sales, have taken a hit. The toffee sales have not declined in medium and large retail stores.

Have we seen a decrease in revenue or an increase in costs, or both?

You should know that revenues have fallen in this period. However, costs have almost remained the same.

Has number of units sold decreased, or has price of each unit decreased?

Number of units sold has decreased. The price of a toffee has not changed. Please state your hypothesis or your strategy for the next step in one statement.

I hypothesize that this has to be a production, distribution, or sales issue.

A break into production, distribution, and retail makes the most sense here. Let's dig in to this. Please ask me questions on these.

Has the client's production capacity reduced?

The production capacity of the client is exactly the same as before.

Who are the client's distributors and how does the distribution system network?

The client's distributors are 3rd party distributors who supply toffees to the retail stores. In this case, we do not need any more information on the distributors and how they supply specifically. Also, there is no issue in distribution from the client's side.

There must be an issue in retail.

There is an issue in sales. Retail stores are facing a problem, specifically the pan shops. The shopkeepers are not pushing our toffees to consumers as much. What do you think the issue over here can be?

Are retail stores not pushing our toffees?

Shopkeepers, specifically pan shop walas, are actually not pushing our toffees to consumers as much. What do you think is the issue here?

Are the client's toffees less accessible by consumers compared to the toffees of other companies?

The problem does lie in the access to toffees. It so happens that the containers in which the toffees were kept were changed by the distributor. The new ones had narrower necks which made it difficult for the shopkeeper to hand out to his customers. We can close the case here.