

Jsw shoppe essay sample

[Business](#), [Marketing](#)



JSW is a manufacturing plant producing steel pipes, bends and sockets and was one of many low-cost steel producers in the world and favored bulk buyers. In April 2007, at Jindal Steel Works Ltd.'s marketing headquarters in Mumbai, the sales and marketing team headed by Jayant Acharya (director marketing), Sharad Mahendra (vice-president) had a debate on how to boost the presence of Jindal Steel Works steel in the market. After much debate, the most promising idea was the development of an organized retail format. Steel was perceived as a business-to-business product. The company's objective was to create a distinctive impression in the minds of end-users to ensure that they knew about various applications of the different steel products manufactured by JSW Steel so that its involvement in this category could be enhanced. The challenge was to brand the whole distribution channel and simultaneously increase the visibility of the brand manifold. At one point, Jindal had considered the idea of forming an organized retail chain through which the, this could eliminate the role of middlemen and directly reach end-user customers. Furthermore, it would be possible to monitor the sales and performance of dealers, enable better logistics and supply chain management and give a clearer understanding of consumer preferences.

Question was: what kind of model should be adopted for such a project.

Keeping the branding of Tata Steel and Essar Steel in mind Mahindra had two primary decisions to make: firstly, should the company venture into retail on its own or should it collaborate with the existing dealers? After the cost analysis he concluded that it would be extremely expensive for the company to venture into retailing on its own. With 160 dealers he needed to choose a model that would be suitable to all kinds of markets and could be easily

replicated in all regions of the country. A six-member task force (TF) was constituted with Mahendra heading the team. The team unanimously agreed that all JSW retail outlets should have a uniform look and feel, so the architecture and designing had to be centralized. Three names were considered for the outlets: JSW Shoppe, JSW Steel Bazaar and JSW Steel Emporium. Out of JSW Shoppe was finalized. Mahindra got the model report approved by Aacharya and also got an Enthusiastic Response at Jindal Mansion. Apart from the current business model Jindal asked Mahindra to start their own outlets. Mahindra opposed it by saying that it would cost us around Rs. 75 lakhs to Rs. 125 lakhs which would not allow for the necessary penetration into the market that we require.

As we propose to double our production we need an exclusive distribution network to reach the more remote areas. In the past we have relied heavily on original equipment manufacturers (OEMs), but during the recent economic downturn, many OEMs cancelled their orders and we had to look for alternative buyers through other distribution channels. Most of the dealers are not happy with the supply from steel manufacturers; if we promise them a steady supply of steel, then they would love to embrace this concept. Moreover, we will not have to offer the kind of discounts that we presently offer our OEM clientele. Through this model we are not targeting customers who will buy in tones; we are focusing on customers who buy in kilograms by assuring continuous supply of steel Execution of model was done in four phases. In the initial stage of execution, the company would aim for 50 outlets by making an initial offer to its existing dealers. It was

anticipated that some dealers would be skeptical concerning legal issues while others would wish to continue with their existing business model.

During the second phase a new target of 200 dealers while in the third and fourth stages the remaining 400 of the 600 total should be opened. After the meeting with Jindal, Mahendra and his team were ecstatic, but there were several challenges in front of them. Firstly, they needed to obtain the general acceptance within the company, i. e., of the sales and marketing workforce and the second issue was to obtain dealers' acceptance of the model. Other challenges involved in this transition included designing a sophisticated ordering process for the Shoppes to ensure a steady supply of material, branding the supply chain, negotiating a cost- and revenue sharing model with the dealers and designing the floor layouts and standardized elements for the Shoppe. From the dealer's perspective though the company had come up with an elaborate model to penetrate into the market and build strong and long-lasting ties, many dealers accepted this concept reluctantly. Some dealers were of the opinion that the company wanted to do away with the dealers in the long-run.

Dealers also pointed out that the company was providing standardized products and that sometimes the customers were unhappy with this as they were not getting the customized products as quickly as before. Dealers perceived that there would be growing interference from JSW in their day-to-day affairs. They wanted the company to simply supply the product and leave the selling aspect to them. They did not like the inspection of the Shoppe by the company officials and found it difficult to maintain the

management information system (MIS) as per the standards prescribed by the company. Many complained that they had never used computers, and asking them to handle sophisticated software to maintain the MIS — Another issue put forward by the dealers was that the company was forcing them to sell all the products and expand their stock with new products: they said that it was very difficult to sell all the products because some high-end products were not easily saleable in some remote outlets. The company strategically targeted the new generation of dealers initially, as it believed that these young dealers would be more receptive and flexible to the idea.

As the dealers were not aware of the company's rationale for choosing a select set of dealers there was no proper evaluation criterion one major issue from the dealers' perspective was the success of the very idea of attracting the end consumer into their Shoppes It was found that many dealers had parallel outlets through which they sold other manufacturers' products. Also the dealers were not interested in investing in information technology (IT) infrastructure. Another grey area was the recruitment by the dealers of Shoppe executives who did not meet the company's standards. Using the trained executives for routine activities resulted in reduced morale of the executives. Dealers did not send the Shoppe executives for training since they had to pay the bill whereas the company on the other hand wanted to get involved in the recruitment and training of the executives the objective was to bring about a sense of professionalism and uniformity. The most critical issue was that there was no system in place to measure the performance of the dealers, and therefore no basis upon which to determine their incentives.

This lack of transparency was also felt by the dealers. JSW also initiated some marketing efforts which helped them to make the customer aware about their product. As the time passed the first and second phases of the Shoppe plan had successfully come to an end and his team was geared up for the implementation of the third. With major players such as Tata Steel and Essar joining the race to open retail outlets on similar lines the dynamics of steel manufacturing and Distribution would change dramatically.

Competition would demand new strategies so as to sustain in the market.

Considering that frontline personnel at the Shoppes would play a key role.

With great focus and Different between Old and new distribution channel of JSW Steel OLD| NEW|

Generic distribution channel| Branded distribution channel| No cost sharing| costing|

Business to business| Business to costumer|

Middle man| Trained dealers|

Order in direct| customize|

Standardize| Through channels|

Manual| Management information system|

Generic| Exclusive|

No dealer's development| Dealers development|

Channel selection| |

DRIVERS

* Control|

* Completion|

- * Demand and supply capacity|
- * Inventory and production synchronization|
- * Production|
- * Low differentiation|
- * Franchisee and business|
- * Effective touch point|

JSW Steel has developed new DC for their own product that is core competent of company which provides huge market coverage for JSW Steel. There are some suggestions for better control of Distribution channel management.

Suggestions

1) JSW need to establish their branding most powerful and separated for effective supply chain management.

Brief: JSW created their own a new model in the steel industry that is Shoppe. And it's the core competent for JSW for better steel supply in the market. And it is completely implemented in the market. But there are new player came-up in the market with the strategy of same model (Tata steel, Essar steel). As per same model competition, a (Tata steel) reputed company gain the market share of steel Shoppe, due to their market value raise-up.

2) JSW need to implement system in place to measure the performance of the dealers, and therefore no basis upon which to determine their incentives.

Brief: In the JSW steel Shoppe model there are major lacks in dealer performances measurement and the most critical issue was that there was no system in place to measure the performance of the dealers, and therefore no basis upon which to determine their incentives. This lack of transparency was also felt by the dealers. It is clear that some dealers are entering that illicit profit due to unusual response of performance measurement by JSW steel.

3) JSW need to make proper balance between dealer distribution supply and Shoppe distribution supply.

Brief: A major contribution in JSW steel supply by older dealer for B2B model. The approach of shopper was necessary to reach end user and become a powerful brand in steel industry. But in the steel industry the major business have done concerned B2B. So for better DC JSW have to maintain proper balance between both models.

4) JSW needs to establish like hub-and-spoke model for the inorganic growth of steel industry.

Brief: Because of their core competitor somewhere JSW are failed to establish its hub-and-spoke model. If they want to escape there self for the inorganic growth, they need to ensure a cost-effective and steady supply of material, the company was contemplating a hub-and-spoke distribution model by opening large warehouses across the country. The sales and distribution department — as one wing of the company — would be under greater focus and pressure and this could necessitate the hiving off of the

department into a strategic business unit. While such moves offered great opportunities both for the individual as well as the organization, new challenges came with the changes: with the above reference they can easily handle this inorganic growth.

5) JSW needs to implement a strong distribution network in growing cities.

Brief: As per today's scenario The real estate sector in India assumed greater prominence with the liberalization of the economy, as the consequent increase in business opportunities and labor migration led to rising demand for commercial and housing space. Because every small cities are going to become metro cities in near future in India, so in this sector not only there are much chance of growth but also JSW can improve their distribution network applying this strategy towards to real estate sector.