Analysis of bata india limited shoe company

[Business](), [Company]()

ExternalenvironmentWe have analyze various external environments from case as well as from outside source- Industry environment- Threat of new entrants- There are many barriers to entry preventing new entrants from capturing significant market share. Large footwear producer enjoy economy of scale that create cost advantage over any new rival. BIL differentiated it's product from rivals product like Comfort (using dynamic spring pad that acted as cushion on the feet for women's footwear), Wind (in build airtechnologythat allowed feet to breath fresh air) etc.

The capital requirements are a high entry barrier to a new firm to the industry. However, an existing shoe manufacturer may enter the athletic shoe industry simply by re-tooling their manufacturing plant. Switching cost is very low for footwear industry because shoes are relatively inexpensive personal goods that are frequently replaced. Access to distribution channel is barrier to entry because it is really difficult for a startup firm to get shelf space at major shoe retailer. But existing firm may use their existing connections to easily access shoe distribution channel.

Bargaining power of buyer- Bata was largest player in industry with 9-10%volume share and 60% market share in organized segment. It had a market share of 70% in canvas shoe segment and 60% in leather shoe segment. Their dominant market share give them power over buyer. Bata is a big buyer of raw material who buys significant part of suppliers' revenue. This in a way provides good bargaining power over suppliers. As a part of its strategic decision Bata set up a rubber/canvas factory in Faridabad, Haryana in 1951. So it can threaten it's supplier to integrate backward.

Bargaining power of supplier- Shoes are made of leather, rubber, nylon etc. These materials could be classified as commodities, where the manufacturing process adds the value. For this reason supplier have limited bargaining power over buyers. Threat of substitute product- Consumer switched from one product to another if alternatives are available in same quality and performance range and have competing price or lesser price. BIL produces 10% of total hawai ranged from Rs. 35-110 while competing local brands were selling at Rs. 25-50.

Again when global trade open then market flooded with many international brands having variety and competing price. Rivalry among existing firms- Mostly numbers of competitors are stable, especially because of high entry barriers. This adds to the rivalry among existing firm. Manufacturers watch each other carefully and make appropriate countermove to match the competitors move. Leading competitor of BIL are Lakhani shoes, liberty shoes, action shoes, woodland, paragon and relaxo in organized segment. The Company’s management has evolved the strategy of the Company after considering the Company’s strengths and weaknesses.

The Company believes that this strategy will enable the Company to build on the opportunities in the market. Cost optimization and margin improvement The Company is focusing on margin improvement and cost effectiveness programs which have started yielding results. The Company has initiated strict control on costs in purchases and outsourcing and is looking at global sourcing for raw materials to improve the net realization. The Company has also been clearing old merchandize through discount sales, write offs, etc. which will enable it to focus on improving sales.

Logistics and demand based production To optimize utilization of production facilities a new logistics team focuses on obtaining specific orders from the market for best selling designs and sizes and ensures that all raw materials are available in the factories well in time so that the Company can produce and place in shops the products that consumers want. Thus the Company has been focusing on consumers and market demand which will reduce inventories and improve sales-to-stock turnover. The Company has closed five depots and converted them into C&F (carrying and forwarding) agents.

It is also renegotiating transport costs to ensure a competitive transportation cost of the Company’s products to the sales outlets. Tax-free zone manufacturing base A part of the outsourcing of manufacturing is now routed by the Company from contract manufacturers based in Himachal Pradesh and Uttaranchal which are both states offering concessions in excise, sales tax and corporate tax. The Company is also looking at and negotiating with third party manufacturing facilities in two other tax-free states of Assam and Jammu and Kashmir. The Company is thus aiming to maximize its margin improvement program. Rationalizing and re-engineering

As part of the rationalization of work practices, processes and modernization the Company offered Voluntary Retirement Scheme (VRS) to its work force. 1520 employees have accepted the VRS in year 2004. The Company plans to introduce a new VRS in year 2005. The VRS is expected to reduce the Company’s employee cost in the medium term. The Company has modernized seventeen stores, opened twenty new stores and closed down sixty unviable stores. Focus on collecting old outstanding dues The Company's sales team is fully focused on collecting old outstanding amounts from wholesalers thus reducing working capital.

The Company is adopting a dual policy to collect the old outstanding. On one hand the Company is negotiating settlement with the wholesalers and offering discounts to those willing to pay the reduced amount. At the same time the Company is filing legal cases against those who are not willing to settle and pay. Training and restructuring the frontline sales force The Company has reorganized its front line sales force and has promoted its best performing shop managers as district managers. It has undertaken an intensive training programmed for its shop assistants and managers to ensure excellence in service to the customers.

The Company has also undertaken a rural marketing thrust where the market is growing faster than the urban markets. The Company is bringing in young managers with fresh ideas to inspire and empower the workforce with the requisite skills. Technology- installation of point of sale management information system keep BIL update about inventory level, sale figure etc. now production unit can lower down there inventory level and can produce the amount which is needed. Cost- cutting- Raw material used for production account for 33% of total cost.

Now Bata identified this problem and started using different mix for footwear production with cheaper raw material. Also, they started cutting some cost through sales and distribution network, which is really huge distribution network. Brands and designs The Company is consistently trying to leverage on its established brands like Mocassino, Super Stride, Quo Vadis, Jubilee etc. at the same time create a niche for its new brands like Azaleia, Toppers, Bubble gummers, Weinbrenner and Power International. The Company has been focusing on specialty value added products for better margins.

It has been continuously introducing new designs in shoes for men, ladies and children. The Company is endeavoring to break the myth of the price factor, by introducing an economy range of products that will encompass both style and quality. Joint Venture Company formed by Bata India Limited Riverbank Holdings Private Limited (“ Riverbank”) Riverbank is a joint venture company between the Company and Calcutta Metropolitan Group Limited (“ CMGL”) pursuant an Agreement dated January 14, 2005. Riverbank was incorporated on February 18, 2005. Riverbank was incorporated for the purpose of implementing the project of developing an

Integrated Modern Township on a part of the surplus land situated at the Batanagar premises of the Company. The main objects of Riverbank are, inter alia, to undertake a Project relating to construction and development of an integrated modern township in Batanagar as well as any sub-projects including provision of various Infrastructure Services, Social Facilities and other services and amenities relating to the said Project, all in details set out in the Agreement dated January 14, 2005 between the Company and CMGL, and generally to carry out the intent and purpose of the said Agreement.

Chesterton Meghraj (International Property Consultants) has submitted a report titled “ Best Use option Study for Batanagar Redevelopment) dated

September 11, 2004. Riverbank has appointed Hellmuth, Obata + Kassabaum, , Inc. (‘ HOK”) for preparing the master plan for the project. Larsen & Toubro Limited (Engineering Design Research and Consultancy, the design arm of the ECC Division) has also been appointed by Riverbank for undertaking the utility and services planning for the project.

The project is currently in the preliminary stages of planning and Riverbank shall have to seek and obtain approvals from appropriate authorities as and when necessary. Recent news 1. Bata ignores slowdown, ready to 40 new stores by March -09 Even as the retail trade industry in India faces one of its worst crises in recent years, Bata India plan to open 40 new stores across country by end of march, 09. These new stores will be based on the international format of Bata stores and will have an average size of 3, 000 square feet.

The new store will primarily be located in tier-1 and tier-2 cities like Jodhpur, Ludhiana etc, apart from metros. Investment for the expansion will be raised through internal accruals. “ Bata India has open over 150 new large format stores since 2006 and it will continue to open 60 new stores every year. Our retail expansion plan is aimed at meeting the shoe requirement of our customer across India” said Bata India managing director Marcelo Villagran.