

VPM's
DR VN BRIMS, Thane
Programme: MMS (2014-16)
Third Semester (Operations) Examination October 2015

Subject	BPR & Benchmarking		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	3	Date	28.10.2015

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

**Q1) 20 Marks (Compulsory) please study Case – HUL and its foray into e-commerce
HUL and its foray into e-commerce**

Introduction

Hindustan Unilever (HUL) has changed the operating model of its direct-selling business, Hindustan Unilever Network, paving the way for a likely debut in e-commerce.

"The Hindustan Unilever Network business model has transitioned from physical servicing to an online ordering and fulfillment model," an HUL spokesperson said.

Consumers can buy the Aviance and Lever Ayush range of health and beauty products through HUL network consultants, who will operate only online now and will no longer have any physical offices. HUL did not provide additional details.

Unilever's Polman had said the e-commerce business could be done in India at a low cost as there is an abundance of labour. HUL chairman Harish Manwani had said in the company's 2013-14 annual report that the year had been "extremely challenging for the direct-selling industry due to ambiguity on acceptable norms for direct selling in India."

The Way It Was-Direct Retail

In the past, HUL had relied on its network of 2,700 redistribution stockists and sub-stockists to supply products to stores in large villages. For smaller villages with a population of less than 5,000, its products were sold through wholesalers. Shopkeepers from these villages would travel to these wholesalers and to pick up their supplies as and when it suited them. Sometimes wholesalers known as star sellers would hire a van and do some distribution on their own. At best, the distribution in these villages was patchy and the company had no strategy on whom to cover and whom to leave out.

Starting 2001, it began expanding its reach through Project Shakti, where it used women entrepreneurs in distant villages to stock and sell its brands. Today, it has a vibrant network of 40,000 women entrepreneurs. But Project Shakti was also the last round of expansion in distribution that the company undertook.

With revenues from Project Shakti doubling every two years, HUL knew the next significant opportunity was in rural India. But to get in on the action, it had to fix distribution first.

The Last Mile Challenge

In villages where direct distribution would not be cost-effective, HUL is also making use of its well-developed network via Project Shakti. The 40,000 women, or Shaktiammas, make about Rs. 1,000 a month by selling company products to other women as well as shops in their village. (People familiar with the numbers say HUL makes Rs. 500-600 crore a year with this segment growing by 50 percent.)

The HUL Direct Selling Model:

Launched in 2003, Hindustan Unilever Network (HULN) is the direct selling arm of Hindustan Unilever Limited. HULN is a multi-brand direct selling business, with the objective to become the most preferred business opportunity in the country.

A member of Indian Direct Selling Association (IDSA), Hindustan Unilever Network's multi-level direct selling module lays specific emphasis on training and support through HULN Centres and HULN Academy. This unique module pioneered by Unilever is known as Partnership Marketing. This is a tri-partite relationship between the Consultants, their Sponsors and the Company.

In a Partnership Marketing model, the Company provides a much stronger element of support to the independent sales person. With Hindustan Unilever Network Partnership Marketing, you get the benefit in more ways than one: Providing a comprehensive training program for business and product training, in addition

to personal development training, conducting training for these courses and providing materials for self study, and operating Hindustan Unilever Network Centres for purchasing, networking, training and product demonstrations and experience. HULN trains its Consultants in Self Use and Sharing of Ayush and Aviance products. We provide advanced courses enabling a consultant to conduct professional Beauty Workshops for Aviance and Health Workshops for Ayush. We have also developed special training material to guide Consultants in the best way to set up their own Kiosks and Exhibitions. All training material is developed by subject experts. We train consultants on building their capabilities to create successful and profitable networks. Apart from product training, other soft skills and business building programs help in enabling the consultant grow his business.

HUL and E-commerce

“Globally we recognize e-commerce as one of the big transformations taking place and therefore we know we have to create capabilities within our organization to be able to use e-commerce as an important channel,” said Harish Manwani, non-executive chairman of HUL, explaining that the company had put in place a dedicated team to build e-commerce capabilities.

It is not unusual for consumer products giant Hindustan Unilever (HUL) to move out of its comfort zone and experiment with ideas which do not fall in its main line of business. According to industry sources, the Rs 28,000-crore HUL is considering using its strength of being present in 3.2 million outlets across the country to ensure consumers are delivered products directly at their doorsteps. The neighborhood kirana shop owner would most likely play a key role here. It is also learnt that in addition to selling its own products through the e-commerce route, HUL could consider selling certain non-competing products as well through this route. To begin with, the initiative is taking place at a very initial stage of a few stores. However, a scale-up in the future is not entirely ruled out, said sources.

The change in HUL's network selling model is a result of a review, given the operating context of the business and the need to secure long-term viability, the company said. "As a result of this review, we realized the need to optimize our operating costs and make the business more competitive," the HUL spokesperson said.

An industry expert said e-commerce was fuelling convergence between manufacturer, retailer and consumer. For a company like HUL, which has over 40 brands spanning 20 categories, it is important to understand the consumer buying behavior online, which is very different from traditional retail.

“HUL recognizes e-commerce as an important platform to reach out to consumers and shoppers in India. We are experimenting with different business models to learn more about the rapidly evolving space,” an HUL spokesperson said. “Humarashop.com, which connects shoppers with local retailers, is one such pilot to understand the changes in the consumer space and build a better understanding of this

While online retailers like Snapdeal and Flipkart are grabbing all the headlines, Hindustan Unilever Limited (HUL) has quietly launched its first e-commerce initiative. The consumer goods giant recently launched Humarashop.com as a pilot to tap the grocery segment. The portal, which has been rolled out in Mumbai to start with, has tied up with several neighborhood, or ‘kirana’, stores to reach out to consumers indirectly.

HUL not only helps the ‘kirana’ retailers have an online presence by creating a different page for each store, but also carries out the delivery for them. However, the company did not respond to a query on whether they own the supply chain and logistics. According to industry experts, HUL's Humarashop is based on online ordering and fulfillment model, which means the company will not own any inventory. The Humarashop.com site says it will deliver any product in just two hours anywhere in the city

An HUL spokesperson said, “The Hindustan Unilever Network business model has transitioned from physical servicing to an online ordering and fulfillment model.” The intention behind this switch is to increase efficiency and gain competitive edge after

company's internal review revealed that a change in business model is need of the hour.

Questions: Answer any two out of three questions

1. In the context of the case assess the need for the company to re-engineer its distribution process
2. Using simple flow charts explain the differences in the Processes between traditional distributions model, direct selling model and the newer e-commerce model. What are the important features of the e-distribution model?
3. What is the role played by IT and IS in HUL making this transition for boosting top line growth.

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

Reengineering and IT are like the two sides of a coin. Describe how they apply to the following:

- a) A large retail store
- b) A large integrated logistics company
- c) An large automobile service Center

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

What are the symptoms of the organizations operations that call for undertaking a BPR implementation? Explain how BPR helped the following organizations

- a) IBM in its sales proposal process
- b) Ford in its bills payable process
- c) Xerox in its camera design process

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

What is Business Process? Identify and describe the business processes in the following cases?

- a) A Bank operation
- b) A Share Brokers Business
- c) A Fast food company

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

What are the important steps for doing a process redesign? In the following cases explain which process would require a redesign and suggest a redesigned process.

- a) Issuing a ration card
- b) Outpatient Consultations in a Govt. Hospital
- c) Collection of Octroi charges

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

List the stages in implementation of Best Practices and describe them briefly in the context of:

- a) Retailing of Milk,
- b) Warehousing,
- c) Purchasing and procurement.

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

It is said that BPR is intimately related with ERP implementation. Explain the relationship between BPR and ERP. In the following cases

- a) Sale and delivery of Cars
- b) Sourcing of raw materials for a fast food company
- c) 3, Payments to utilities through Internet Banking