

Hyderabad Allwyn



Brand: Mehta Solutions

Product Code: case196

Weight: 0.00kg

Price: Rs500

Short Description
Hyderabad Allwyn

Description

Hyderabad Allwyn CAST STUDY solution

Read the following case carefully and answer the questions given at the end :

On 1 April 1993, three ailing units of the public sector enterprise Hyderabad Allwyn - refrigerator, gas cylinder and furniture - were taken over by Voltas Limited. Effectively, Voltas stepped in one year later on 1 April 1994 after the release of a BIFR order. A turnaround strategy was in the offing. The ailing units has accumulated losses to the tune of Rs. 90 crore. The workforce of 5,000 was a grumbling lot, production having virtually to a standstill. The management adopted a multi-pronged strategy. Wasteful expenditure was reduced, production was increased and the product-range augmented. Investment in human resource development was stepped up and customer and dealer interaction was improved. And each of these was taken up on a war footing. Reducing wasteful expenditure meant cutting manufacturing and manpower costs. At the outset, an analysis of job and personality profiles of all personnel from workers to managers was undertaken by an outside consultant. On the basis of their report, unproductive work practices which could curb organisational growth were eliminated. For example, it was discovered that 400 workers with union influence were mostly on outdoor duty where they could not be supervised all the time. Again, many workers in the sportsmen category, though retired, still continued to draw benefits. A voluntary retirement scheme was introduced which helped to reduce the number of workers to 4,000. According to one executive, trimming manpower was done in a no-nonsense fashion, which made people realise that Voltas was serious about change. On one occasion, the Managing Director addressed 250 executives saying, "Out of you I need only 100. All of us know who they are." Those not willing to be a part of the new work culture, where targets had to be met, left. With the remaining, intensive workforce training sessions were conducted to usher in new working systems and philosophy. With the same workers, 1,58,000 refrigerators and 2,00,000 LPG cylinders rolled out of the factory in 1994. Production exceeded the peak levels of the old Hyderabad Allwyn era. Initially the focus was on the refrigerator division. In this industry, Allwyn had tremendous brand equity; but the last few years of operation had left behind irate customers and dealers. Voltas strategy was to cash in on the brand image by bringing out a quality product quickly. Increasing production and cutting costs for existing models was done simultaneously. Rejections, which were 15 percent were brought down to 1 per cent level. Design changes were incorporated which improved the product and increased efficiency of operations. For example, powder-coating technology which lasts longer and is a faster process reducing energy consumption, was introduced in place of the earlier liquid synthetic enamel. Thus, total energy consumed was reduced from 330 units per refrigerator to 200 units. There was total cost saving of 6 percent. Consumer complaints which had accumulated over the years were handled with sensitivity and urgency. As the Sales Manager, Allwyn, put it, "A backlog of 24,000

complaints, out of which 18,000 related to compressors were handled in the first three months." The services department was reactivated to satisfy all irate customers and started holding free-service weeks in a planned manner in different metropolitan cities. The dealer network was increased from 800 to 2,500, by passing on some of the cost reduction benefits to them and this increased product availability. A survey of consumer needs was carried out. Based on its findings a new model of refrigerator of 190 litre was designed. The product was aesthetic looking with the 'soft look' of a 'clean back' (no compressor visible) and transparent accessories. The catch word was 'value for money' for it was bigger but priced at par with the 165 litre deluxe model of Godrej. The reception was overwhelming, and the product became the largest selling brand in the country with a good after sales service. In 1994-95, Voltas-Allwyn had an 8.5 percent market share of the total market of 1.8 million refrigerators. This increased to 11 percent in 1995-96 in a 2.1 million market. A target of 15 percent market share has been fixed for 1996-97, which will make Voltas-Allwyn combine the second or third largest in the country. Presently, Godrej is the market leader with 39 percent market share followed by Kelvinator with 26 percent, Voltas 11 percent, Videocon 8 percent and the balance with BPL. While the market for fridges is growing, multinationals like Electrolux are coming in to tap what they think will be a 4 million market by 2000 A.D. Keeping in view the growing market competition, Allwyn plans to bring out by mid-1996, a three-door, frost-free refrigerator in collaboration with Hitachi of Japan, which will compete directly with BPL's 360-litre model. Multinationals like Whirlpool and Electrolux also plan to enter this market segment shortly. Allwyn also plans to launch the first Eco-friendly refrigerator model under a World Bank Aid project, in technical collaboration with Hitachi. The total project cost is Rs. 120 crore. An activity which has been initiated recently and should become a major business, is refrigerator appliances. Allwyn is the sole Indian supplier for Pepsico (India)'s visible (glass-front) MS-25 6 coolers and bottle coolers. In 1996-97, this should contribute Rs. 15 crore to total turnover. With the entry of multinationals in the food and beverage business, this may be a growth area for Allwyn since this product measures to international standards. Obviously, turning around the ailing units has not been easy. Voltas had taken over Rs. 31 crore liability along with the ailing units; Rs. 15 crore interest was payable on Rs. 110 crore loans from financial institutions. Out of the total Rs. 70 crore pumped in by Voltas to date, Rs. 22.5 crore had gone into wiping out liabilities. Besides, according to the Chairman of Voltas, the policies of the Govt. of Andhra Pradesh do not help reviving sick units. All attention seems to be focused on attracting new industry, not helping the existing ones. As per a BIFR order there should be no power cuts, but the reality is that there is a 60 to 70 percent power cut in the State; unlike state like Maharashtra which have sales tax exemption, Andhra has a deferment of sales tax for seven years at 18 percent interest which is extremely unattractive. Despite the difficulties, Allwyn is expected to achieve a turnover of Rs. 200 crore for 1995-96 with Rs. 180 crore from the refrigerator division and the balance from gas cylinders. In the coming years, substantial profits are expected to accrue from the furniture division. Allwyn has a technology collaboration with Lista,

Switzerland - Europe's largest manufacturer of modular furniture for homes and offices. The advantages of modular furniture over wood or particle board is that ergonomic designs are possible and it permits long-term flexibility. The furniture would be sold through a network of 2,000 dealers. A turnover of Rs. 30 crore is expected in the first year in a total furniture market of Rs. 250 crore. Margins are high in this business. Allwyn also offers total solutions to office needs of furniture based on the architect's conceptualisation at location sites. Besides, Lista plans to use Allwyn as a base to access the growing South-east Asian market.

Questions :

1. Do you consider the turnaround strategy adopted by Voltas satisfactory ? Give reasons.
2. Discuss the nature of synergistic effects, if any, resulting from Voltas' takeover of Allwyn.
3. Prepare Environmental Threat and Opportunity Profile (ETOP) and a Strategic Advantage Profile (SAP) for evaluation of the present strategy.
4. What were the key factors underlying successful implementation of the strategy ? Explain.

Details

1. Case study solved answers

2. pdf/word in 24-48 hrs

3. Fully Solved with answers