

How Goldratt Consulting enabled a leading distributor of SANY machines to turn around a loss-making business to become the most profitable company in the industry.

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THE CLIENT

Headquartered in China, the firm is a leading distributor of SANY loading machines. The business flow included credit sales to end consumers and contractors, with the firm taking on liability with financial institutions in cases of untimely or non-payment. This became a mammoth challenge for the firm, ultimately leading to lower demand for machine services and spare parts. The result was poor cash flow. The company was under crisis in 2013-14, as it was battling a heavy burden of debt as well as declining sales of SANY excavators.

TOC SOLUTION IMPLEMENTED

GC helped the firm leverage TOC to achieve the stability in business flow that was needed to generate sales and revert to being a profit-making concern.

- Flow System for Collection: Set in place a system based on buffer management to prioritize and allocate Collection. This included early warning signals for potential cases of legal machines to initiate preventive measures.
 - Measuring Collection Effectiveness: Actions to reduce EMI-Delay Days (EDD)
 - Priority mechanism for EMI collection
 - Full Kitting for customer visits
 - Established Key Metrics for early identification of legal cases
- Established MRO solution to swiftly turn around the liabilities of legal machines into Throughput generating assets.
 - N+1 Solution: Machine Reliability program (RRP) to achieve DCE in the market for existing business flow
 - New Throughput generation streams from the same assets.
- 360 Solution: Set up a reliable services platform to enable machine owners maximize asset ROI and established a Throughput generation engine for exponential growth.

AT A GLANCE

Business Challenges

- High levels of uncollected debt
- Stagnating sales of spare parts
- Reducing sales trend
- Increasing legal machines
- Low market share

Key Implementations

- Flow system for Collection based on buffer management
- MRO solution to create Throughput-generating assets
- N+1 solution to achieve a DCE (decisive competitive edge) for existing business flow and generate additional Throughput streams from assets
- 360 solution to provide a reliable platform and services to enable machine owners maximize ROI from their assets

TOC Implementation Results

- Improvement of on-time cash collection
- Reduction in legal machine overhaul time without change in capacity
- Markedly business performance with boosted Throughput and Net Profits
- Reduce management attention from daily tasks

IMPLEMENTATION RESULTS

<p>Collections</p> <ul style="list-style-type: none"> • On-time collections improved from below 50% to above 90% 	<p>MRO</p> <ul style="list-style-type: none"> • Legal machine overhaul Lead time reduced from 30 days to 8 days with same capacity. • Overhauling Lead Tme reduced by more than 300%
<p>Net profits</p> <ul style="list-style-type: none"> • Dramatic business turnaround from a loss-making firm to being the No. 1 Profitable Distributor in China • The firm's Sichuan subsidiary saw a >10X increase in Net Profit (YoY) while the Guiyang subsidiary saw a 5X increase (YoY) 	<p>Sales</p> <ul style="list-style-type: none"> • Machine sales increased by 200% (YoY) • Spare parts sales increased by 60% (YoY)