

# Business Transformation A Case Study Of Office Décor

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“Now we call upon Mr. Karimbhai on stage for his outstanding and meritorious performance in the Executive Programme in Family Business Management (EPFBM) batch of 2015” and the audience gave an applause to Karimbhai. His partner Mr. Shankar, seated next to Karimbhai, got emotional as well. Mr Karimbhai & Mr Shankar, who were in their late fifties, had founded the office furniture business “Office Décor” based out of a suburb in Mumbai, in the early 1980s, right during their graduation years.

The thought of transforming the three-decade plus old business with the 21st century technology & practices was always there at the back of the mind of Karimbhai and Shankar. Deepa, who was a commerce graduate (with a major in Marketing) from Lady Shriram college New Delhi, the daughter in law of Mr. Shankar, persuaded them to enroll for the EPFBM programme. Although initially skeptical of the text book approach and formal education, the success stories of other participants, narrated by Deepa, made them curious enough to explore the proposition seriously. Karimbhai and Shankar enrolled for the EPFBM batch of 2016. The peer interaction and the devil's advocate roles played by the professors had shaken them out of the traditional outlook to business and made them realize what they can achieve. The experience of the Executive Programme broadened their vision.

Having started Office Décor as a furniture wholesaling business the firm had ventured into manufacturing the office furniture and importing as well. Over the years Office Décor established retail presence in 5 suburbs of Mumbai and today have the largest retail showroom cum manufacturing (assembly) unit in Thane. Office Décor boasts of the broadest possible width and depth of the product line in the office-furniture like office/cafeteria/lounge chairs, fully portable workstations, regular & premium office tables, reception tables, and customized office furniture as per the client requirements. They have product offering across all price points from the

entry level to the most premium. The sales figures are skewed towards chairs. The widely-accepted product variety comes in black colour mesh back designs ranging from 5000- 10000. The product variety ranges from plastic-molded ergonomic chairs to pure leather imported chairs.

Karimbhai is currently the Vice President of Association of Furniture Manufacturers & Traders (AFMT) India. He has represented India on the global platforms through AFMT. Karimbhai manages the purchasing, design and finance functions. Office Décor sources the parts & fixtures of the office furniture like the wooden seat moulds, foam, arm rest, fabric, chair base with wheels etc from Indian suppliers except the gas lift & plastic injection mould which are imported from China. Regular visits to China International Furniture Fair (Guangzhou) has helped Karimbhai in sourcing right material from the right vendor and keep the products updated with time & competition. He ensures the product design revision / modification after every six months.

Shankar manages the sales and distribution, operations, quality & logistics. Office Décor has about 30 - 40 dealers in Mumbai metropolitan region. Their 80% business comes from channel sales while rest gets generated through walk-ins / retail business. Typical of a owner managed business, Office Décor has a sales staff of 10 loyal salesman working with them for over 25 years and around 20 workmen in the manufacturing unit. A couple of senior personnel from sales and manufacturing informally act as the heads of the two functions. Free of cost residential facility is provided to almost all the workmen. They have grown more through learning on the job rather than any formal training. The sales people primarily manage the channel sales and have picked up the sales skills over time so well that today they generate a sales volume of 2000 – 3000 chairs a month even by sitting in the office. The clientele is basically from small and mid-sized businesses.

The typical sales cycle involves lead generation to getting order- assembly & delivery of the goods. It used to take a weeks' time to a month's period to generate the orders from

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the customers but the turnaround time for an order of 1000 chairs would be not more than 3 working days. Their B2C business was mainly coming from the referrals or word of mouth publicity by the existing clients and dealers.

Office Décor has couple of members in the admin department to support the sales & logistics functions. All the business processes like stock keeping, purchasing etc are managed with very basic degree of computerization.

The highly unorganized furniture business which is more of an assembly business in India had seen 10-11% of growth even during the hard years of last decade of 7-8% overall growth rate of the Indian economy. The ever-increasing competition is pressing on the quality & profit margins. The branded furniture players like Godrej Interio, Durian, Wipro Furniture, IKEA, Zuari Furniture etc. are making Karimbhai to run the business in a more systematic & structured manner, increasing the B2B customer base through professionally managed business operations and think of diversifying it into related areas.

Karimbhai & Shankar had come across the term SAS – Software as a Service and examples of how tyres are being sold as a service rather than a product. Building on this idea, Karimbhai and Shankar thought of offering an AMC as well as On-Call / On-Demand service to the existing B2B clients for all kinds of office furniture sold by Office Décor as well as any other manufacturer. They intended to roll out this AMC to the wider market (those who were not clients of Office Décor) once they were sure about the feasibility and the profitability of the model. The envisaged revenue model was a combination of service charges plus cost of spares. The sales volume was to have a blend of AMC clients and On-Call clients.

Having brainstormed the idea amongst themselves that decided to explore it seriously and develop an execution

plan. Karimbhai and Shankar roped in Deepa to identify the issues.

Deepa suggested that Office Décor needs to transform itself into a marketing organization going beyond operations and sales. She underlined the need for branding, customer service and sales force training as well as digitization of the enterprise. Karimbhai and Shankar also realized that this would impact the current team of salesman and workmen. The new focus required certain roles such as Business Development Manager, Works Controller, Service Engineers, Telecallers. They were wondering whether they should hire fresh talent or groom the existing one selectively. They were not sure about whether the existing key personnel can be reoriented towards the new business focus and retrained accordingly. On the other hand, they were also worried about the potential disruptive effect of hiring educated but raw external talent possibly at a higher salary level than the existing structure. Deepa added that Office Décor should have appropriate signage in the facility, I Cards and uniform for staff and branding of all its marketing collaterals, blueprints of their operations and implement CRM through computerization of client database, purchase and service records. Deepa's advice resonated with what they had learnt during the EPFBM programme.

Although intuitively Karimbhai and Shankar trusted their business sense about the vertical, the transition pangs were playing on their mind. They decided to seek professional advice to validate their thought process.

What would be your advice to Karimbhai and Shankar with respect to the competitor analysis, revenue model, HR transition, Branding & Marketing, CRM for the proposed new vertical? Provide a short term and medium term execution plan with targeted outcomes, risk assessment and risk mitigation plan.