

Logistics of Leading Two Wheelers Manufacturer in Pakistan

A leading two wheelers manufacturer started its operations from Karachi, a joint venture of Japan and Pakistani business group, it was established in the year 1962. It is the leading Manufacture of motor bikes with a market share of around 60 percent, however the most popular are segments are 70 cc and 125 cc engine motorcycles. The company is known for its quality Bikes, Engine Durability and service quality. The company has two manufacturing facilities in Pakistan, one in Karachi and the other in Lahore. Lahore plant manufactures all models offered by the company and caters to the total need of Pakistan for all models. The Karachi plant is smaller and only manufactures 70 cc engine bikes and that too in smaller quantity.

The company manufactures Spare parts and bikes, which are then sold in the local market through dealers. The company has country wide distribution and is the most popular bike amongst daily commuters and the youth.

The company assembles all the local and imported parts at its factory and the bikes are then distributed to other parts of the country. Same way the spare parts are received at the Lahore and Karachi plant and then they are distributed to the dealers.

Karachi Plant:

The Karachi plant is comparatively small than Lahore however, it covers an area of 6 acres and Manufactures only 70 cc engine bikes. The total output per day at Karachi plant is 600 70 cc engine motor bikes. The plant has 2 Loading and unloading bays and 1 completely build unit (CBU) loading bay

Lahore Plant

This plant manufactures all models offered by the company and produces 6000 motorcycles per day. The plant is situated in Sheikhpura as major consumption of Honda Bikes is in Punjab and North region, therefore to ease distribution and lead time, the plant is strategically placed close to the bigger market. The plant is 27 acres in size and 2 loading and 10 unloading bays along with 5 CBU loading bays.

Due to two production facilities, warehouses and own transportation fleet, company enjoys Economies of Scale and delivery of right product however also faces less flexibility, and higher fixed costs due to multiple assets.

Sourcing:

The company has outsourced majority parts to local vendors however, ensures quality standards by assessing all the sourcing based on the QCDR (Quality, cost, Delivery & reliability) model. The model gives weightage to each dimension and the sourcing is then assessed giving numbers to each vendor, ensuring quality and service benchmarks. Moreover, one major vendor is also a subsidiary of the company. In addition to this, the vendors situated in Karachi supply parts to sheikhpura plant and vice versa. The parts are moved from vendor to Delivery control Centre of

Karachi plant and then after quality check they are sent to delivery control Centre of Sheikhpura plant. This transportation is done through BSL Logistics. The process remains same for parts either sourced from Karachi or Sheikhpura.

Dealerships:

3S Dealers (Sales, Service & Spare parts)

The company has a dealership model for selling Bikes in order to reach the direct consumer and provide services in order to maintain the service quality and ease burden on its working capital. 3S dealers can only sell company Bikes in their assigned territory. Customers book the motor cycles by paying in advance after which the dealer orders the bike, however, the dealers also keep some inventory in order to reduce lead time and improve service. Therefore, the dealers also order different models in advance in order to avoid delivery delays and price hikes. 3S Dealers sale bikes, offer bike service facility, and sale of spare parts. These dealers are located at prime locations and are direct representatives of the company in the local market.

2S Dealers (Service & Spare parts)

These are dealerships located in areas mainly where there are spare parts shops and mechanics. They provide mechanical services along with spare parts however, unlike 3S these dealership 2S dealers don't sale new Bikes. They receive training and equipment from the company to provide quality service.

1S Dealers (Service or Sales or Spare parts only)

1S (Service) dealers are the most basic kind of dealers who provide mechanical services on behalf of the company. Customers who buy company Bikes are given 3 free services that can be availed through 1s dealers. These dealers provide service facilities to Customers on company's behalf. The dealers are provided with equipment and training in order to serve the customer as per company standards.

1S (Spare parts) dealers are authorized dealers of the company who supply spare parts to other small traders and sale authentic company spare parts to the customers. These dealers only keep spare parts and have nothing to do with sale of bike or mechanical service. These are mainly located in wholesale spare parts markets.

1S (Sales) dealers are only authorized to sell the company Motor bikes in their territory. These dealers also hold small quantity of Inventory and are usually not located at main Markets. These mainly cover small regions to cater to the surrounding populations where 3S dealers are not nearby.

Company Mechanic (Unauthorized Channel): These Mechanics are not official channel partners of the company, however, these operate in coordination with the nearby local dealer, providing mechanical services. The purpose is to provide service to the End-Consumer.

Institutional Sales:

The company directly sells Bikes to government institutions, companies etc. and not through dealers. However, a delivery to any organization or Governmental institution may be managed through a nearby dealer as per the company's directions in order to ensure smooth and efficient delivery.

Logistics:

The company has warehouses in almost all Major Cities and two production facilities in Industrial hubs giving it a strategic edge as the sheikhupura plant has major production and it is situated close to the major market (Punjab) making Tactical and operational tasks easy as compared to competitors. The company maintains distribution of CBU to all its warehouses and dealers through a 130 trucks fleet operated by the company. The trucks are specially designed to carry maximum bikes and is dedicated to transfer CBU from factory to dealers/warehouses. Once the unit is manufactured and ready, it is sent to the factory storage (warehouse), from there the units are sent to different warehouses and dealers as per the orders generated in the system. To name a few, Karachi, Lahore, Larkana and Gujranwala are locations where warehouses are located.

For Instance, if there are orders from Karachi for different models which are not available in the Karachi factory warehouse, then the order will be dispatched from sheikhupura which will carry the orders for Karachi and surrounding cities. The dedicated fleet from sheikhupura will unload all the units of Karachi dealers at Karachi factory and will move to other cities for further distribution. From Karachi factory the CBU will be sent to a centrally located Dealership (For instance, Saddar Akbar road market) where all the units are unloaded and then different dealerships transfer their units from the central dealership to their own showrooms. The above mechanism defines company's warehousing and transportation for CBU.

For spare parts Distributions, the model is slightly different. Initially, the company receives spare parts at its factory warehouses in Karachi and Sheikhupura from different vendors from Karachi, Sheikhupura, and Lahore etc. The parts are then dispatched to the locations (warehouses, 3S & 2S Dealers) through TCS. For Instance, in Karachi the TCS vehicle visits the factory warehouse twice a day in order to pick spare parts and deliver goods to dealers throughout Karachi and Sindh. As TCS has an established network throughout Pakistan it is cost efficient for the company to operate spare parts distribution through TCS. This way company benefits from Low costs, on time delivery and less units lost.

Company owns majority of its warehouse properties and operates itself. Moreover, on average the spare parts at the warehouses are received and dispatched to their destinations within 24 hours, highlighting the switching Centre feature of the warehouses. Normally, break bulk activities take place at the warehouses as the dealers order fewer quantities but multiple range. All warehouses keep strategic inventory in order to cater to fluctuations and improve services. The orders and payments by dealers are done in advance through the mechanism in place by the company, and only after that the goods are dispatched from the warehouses.

The company maintains a dealership model throughout Pakistan which gives the company advantage in terms of managing operational and financial goals. In addition to this, the company exercises control over the suppliers as well as dealers ensuring OADR model benchmarks are intact. These factors assist company in aligning internal consistencies with competitive advantage to achieve strategic fit. This way the company is successful in establishing and maintaining a country wide distribution network, and delivering high quality motorbikes with standard service.