



Leveraging Intrinsic Value Drivers to Improve Cash flow, Growth and Profitability

Issues

A once successful, private equity owned, \$60 million thermo-plastics manufacturer had seen revenue and profit growth decline for two years. Revenue and profit declines were being driven by competitive pricing pressure, high rates of scrap in the manufacturing process, a lack of growth in new product conversions, and a lack of focus on high-value segments/applications.

Approach

The first step was to identify the company's current and prospective sources of revenue and profit, by understanding the revenue and profit characteristics of its customers and products, and their growth potential.

With an understanding of revenue, profit, and growth potential, we were then able to re-segment customers based on the type and criticality of problem they were attempting to solve and develop a sales strategy to penetrate, acquire, retain, and exit specific segments.

An enhanced understanding of revenue and profit potential enabled the manufacturing team to prioritize changes, to manufacturing processes, to eliminate scrap and increase scale economies.

Before implementing new sales strategies, we also evaluated the company's sales process and sales staff to ensure that both were capable of meeting customer's requirements. This analysis led to a reorganization of the sales force, including replacement of the head of sales and re-assignment of accounts to different sales reps, and recognition of a need for two sales processes, one to support higher-value transactional buyers, and another more consultative process to support high-value application oriented buyers.

Results

Analysis of profit and revenue led to a 57% reduction in number of products, from 550 to 235, a 35% reduction in the workforce, the prioritization of 30 high value customers, and a reduction in the cost of sales for 61 accounts which were migrated to a transactional sales process using inside reps.

These changes created substantial economic value , resulting in:

- 63% improvement in gross margins, from 14% to 23%
- 467% improvement in EBIT margins, from 3% to 14%
- 400% improvement in cash flow