

Expert Purchasing Solutions

Case Study - 1



...On your side

Base Data – Year 2000

- manufacturer / retailer
 - Retail sales £15m
 - Profit heavy -£
- Sales dropping by 15% per annum
- Strong 'old fashioned' UK brand
- Head count 320
- 21 retail outlets
- UK manufacturer
- 2 UK sites
- High short-term debt (bank)
- Corporate finance backed

“Get-out-of-jail” Strategy

- Drop all not-profit sales
- Turnover target £9m (2003/4)
- Reduce headcount to 187
(was 320)
- Reduce retail outlets to 11
(was 21)
- Move from manufactured to sourced (see table)
- Enhance product range
- Outsource warehousing
- Sell warehouse site to pay off bank debt
- Provide quick wins from review of overheads

Turnover	£9m	£12m	£15m
Manufactured	£3.6m / 40%	£3.6m / 30%	£3.6m / 24%
Sourced	£5.4m / 60%	£8.4m / 70%	£11.4m / 76%

...On your side

Challenges

- Need to procure supplies
 - No experience
 - No supplies
- Need to provide outsourced warehousing
 - No sites
 - No process
 - Need to QC in UK
- Cashflow
- Credibility
- Limited time
- Inexperienced in overhead management
- Need to put in place BEFORE corrective action can be taken

...On your side

Actions / Achievements - Internal

- Turnaround consultants appointed
- Haemorrhaging stopped
- Short-term debt re-negotiated
- Staff reductions implemented
- Site offered for sale

Actions / Achievements - External

- Overseas supplies sourced
- Products shipped
- QC stages
 - 1 – All UK
 - 2 – At source, packed into inners
 - 3 – At source, packed into outers
 - 4 - At source, consignment shipped to UK customer
- UK warehouse requirement reduced
- Overheads re-negotiated = **-19%** from revised net

...On your side

Other Information

- Time-scale = 9 months
- Staff pensions – major issue