

Case Study

Global Construction Product Manufacturer

Global Footprint Consolidation Risk Analysis



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Case Study Situation Summary

Industry	Diversified Manufacturing	Construction Product Business	~\$1.7B Revenue (Division)
Business Description	Fastening Solutions – Residential & Commercial Construction	Consolidating 12 plants/5 countries into 5 plants / 3 countries	~\$12M Annual Run Rate Savings – Baseline Forecast
Location	North America, Europe, Asia	Additional Opportunities	50%+
Ownership	F500		
Type of Project	Footprint Consolidation Analysis	Length of Project	2 Months

Challenges

Client had identified potential cost savings available thru a number of Structural Simplification Opportunities but needed support to accurately categorize and quantify direct product cost savings

Approach

Developed trend analysis of direct (raw material, direct labor, utility, freight) vs. indirect (FOREX, duties/tax, inventory) cost categories; implemented a dynamic financial model for management to view multiple scenarios (conservative vs. optimistic)

The project was structured in three phases – data collection, analysis, and final recommendation

Current State / Data Collection



- Map current production capacity vs. demand profile
- Collected baseline benchmark data based on product-to-product cost analysis

Analysis of Cost Trends



- Research analyst and market projections for each input cost
- Understand key drivers behind each input cost and develop trend data for each scenario (probable, optimistic, and conservative) by line item

Synthesis & Recommendations



- Build conservative, probable, and optimistic scenarios
- Define key signposts & risk mitigation options by line item

Results Summary

- *Developed multiple scenarios for management to review range of cost by line items and overall EBIT improvement*
- *Analysis by regions gives management the ability to prioritize and scale the consolidation initiative*

Line Item	Baseline	2017 Projected		
		Conservative	Probable	Optimistic
Steel	\$1.31	\$1.31	\$1.48	\$1.88
Labor (Net)	\$0.80	\$0.76	\$0.76	\$0.84
Other Costs	\$0.22	\$0.22	\$0.22	\$0.22
Freight Impact	(\$0.64)	(\$0.84)	(\$0.78)	(\$0.70)
Tax & Customs Delta	(\$0.04)	(\$0.04)	(\$0.04)	\$0.30
FOREX DELTA	N/A	(\$0.40)	(\$0.33)	(\$0.20)
Inventory Carrying Costs	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.04)
TOTAL (MPC)	\$1.81	\$0.81	\$1.29	\$1.30
volume	1000	1000	1000	1000
Annual Run-Rate Savings (\$'000)	\$12,000	\$6,300	\$10,300	\$18,800

