SUPPLY CHAIN EDGE

Case Study

Operational Restructuring Case Study: Personal Care Product Manufacturer

Business

$2 billion leading manufacturer of consumer cosmetics, fragrance, and beauty care products as well as professional salon personal care products. The company has global brand recognition and has customer/consumer relationships across mass merchandise, department store, drug store chain, specialty store, and professional beauty care channels. The company was acquired through a highly leveraged bond transaction by a successful industrial financier.

Client Objective

Following unsuccessful attempts by the existing management team to refocus operations and regain market share, the chairman executed a fast-paced replacement of the senior leadership with specific direction to reengineer operations, reposition the brand proposition, regain leading market share status, and take the company public within 12–18 months of the leadership change. Supply chain consulting expertise was pursued with the objective of transforming the end-to-end supply chain operations across North America, Europe and Latin America.

The global supply chain operating units were managed within the constraints of the company's available liquidity; and, a process established to share detailed operating information with customers to preserve confidence and maintain the continuity of shipments disruption, thus insuring the continuation of the brand while the restructuring was executed.

Results

A five step process was used to respond quickly to the corporate objectives:

1. Ascertain the current and future viability of the supply chain.

2. Determine if adequate management resources were available to implement a turnaround plan.

3. Begin emergency steps to stabilize customer service and operating costs. This included the elimination of non-performing resources that might interfere with the turnaround.

4. Restructure the supply chain to be consistent with the strategic plan, a process that included changes in the management team leading the supply chain.

5. Position the supply chain to deliver year-over-year financial productivity and process improvement.

    - North American and European distribution/transportation operating units were refocused and key productivity initiatives implemented.
    - Supply chain unit cost (as % of gross sales) was reduced from 6.93% to 2.43% with aggregate year-over-year productivity of $47 million.
    - Implemented a line pick/ full case fulfillment system including work standards, customer bypass capability, and transportation planning.
    - Performance metrics improved for: orders filled complete, 86% to 97%; internal order leadtime, 2.4 days to 1.2 days; end-to-end customer lead time, 4.3 days to 2.1 days; and customer on-time delivery, 91% to 98%.
    - Reorganized the order management/customer service functions to align with key customer channels and provide one-stop order status information.
    - Implemented the SAP order management modules to improve order visibility and planning, and to provide system hierarchy for demand planning and sales forecasting reconciliation.
    - Transportation network was reengineered across small package, LTL, and truck load services.
    - Increased fulfillment capacity 45% through the existing distribution center network and implemented key customer supply chain programs that enhanced consumer accessibility.
    - Implemented a Sales and Operations Planning (S&OP) process for the North American businesses that consistently addressed regular business and promotional product events.

The company successfully achieved market share leadership and public ownership status within 24 months of the turnaround initiative.