

Stirling Operations Case Study – Consumer Durables

Analyzing Companies and Changing Outcomes



The Challenge – Consumer Durables company

We were asked to review and manage a consumer durables company through sale over a three-year period. The goal was to increase value and facilitate the sale(s).

Where We Started

- Growth year-over-year was flat (single-digit growth every year)
- High-margin product
- Worldwide distribution
 - 85% market share in largest product category
- Less than 250 employees
- Revenues – mid \$20 M
- Employee retention was fine
- Inventory was overflowing, with tens of millions in value but very slow moving
- A “just in time” approach to manufacturing, with a focus on the cost of materials but not delivery performance to customers
- Employee morale and attitude was that everything was fine – no rush to change, or to do better or improve, or to change anything

The Solution Strategy in Action

A. To begin, the approach was to **observe existing processes** to understand how the operations and assets deteriorated, and the inventory grew into the behemoth it had become.

B. The warehouse and offices were cleaned and maintained as they should have been originally. This led to:

- A healthier work environment
- More usable space
- Higher operational efficiency

C. A focal point **was selling off inventory and rethinking all inventory management processes.**

D. In addition, the **procurement process was re-prioritized** to be less about the cost of materials than the volume of materials needed (breaking the habit of over-ordering in order to achieve lower costs per item). This freed up cash significantly.

E. **Materials ordering quantities were adjusted** to be able to produce custom product more quickly, providing better customer service and pulling in revenues more quickly.

F. **We improved Customer Service** significantly by empowering the department to solve problems independently and to escalate internally (to all teams) and to senior leadership, as needed.

G. New **key vendor arrangements** were negotiated, in order to have the necessary components for larger orders when they came in. This compressed manufacturing time further, generating more revenues more quickly.

H. Finally, management practices were changed so that **manufacturing and engineering were communicating with one another at all times.** This also led to great operational efficiency.

Measurable Results

- Margins improved
- Balance sheet improved, by reducing inventory significantly and the shortening cash-to-cash cycle. Effective use of cash improved by 30 – 40%
- The “just in time” approach was reframed
- Improved customer service, with product shipping more quickly
- The workforce was happier with the better working conditions and improved financial and delivery performance
- The company was sold twice during this three-year process:

- 2x the original value after two years
- 4x original value one year later

Partner with Stirling Angeli

No two situations are alike – and the changes made at this company might not be appropriate for all. However, the skillset needed to come in, assess, and make the necessary changes are what Stirling Operations is known for. We look forward to speaking with you about your current situation.