

# Driving additional EBITDA value in a highly-professional procurement and logistics environment

Using operational due diligence and new product introduction to attain value

## The results

Maine Pointe's discipline and proven methods helped implement a more structured approach to evaluation and decision making.

As a result, our client:

- Achieved procurement savings of 19% with YOY continuous improvement commitments of 5%
- Made logistics savings of 15%
- Implemented a more stable, mature and effective product realization process. This allowed for improved intellectual development results and greatly accelerated speed-to-market for deployment of intellectual property in new product launches
- Improved relationships with Tier 1 partners. This has created conditions to dramatically improve working capital and overall supply chain benefits
- Almost doubled EBITDA
- Realized a 6:1 ROI

## This story is for executives and PE firms who:

1. Have outsourced manufacturing to Asia or other low-cost countries and want to improve performance
2. Deal with high turnover products and need to improve new product introduction and product lifecycle management
3. Have cash limitations or banking covenants that restrict the ability to spend and require high-value creation returns
4. Need to accelerate monetization of innovative intellectual property in competitive markets

## The challenge

This PE client had entered into a competitive acquisition process to take a publicly-traded audio and technology consumer products company private. Maine Pointe was brought in early for the operational due diligence to help identify and size potential opportunities in the supply chain for value creation. The information we provided gave the client the analytical insights to raise their investment commitment and ultimately acquire the company successfully.

Post-deal, the PE firm asked Maine Pointe to conduct an in-depth analysis and work with the CEO to help realize the opportunities previously identified in both procurement and logistics.

## Taking mature procurement and logistics operations to the next level

Maine Pointe's operational due diligence revealed a company with a sophisticated procurement environment that was already at a level 3 on our TVO Maturity Pyramid™. Logistics was slightly less mature. Given that the company clearly had good people and processes in place, the challenge was to show that substantial incremental value could still be derived from the supply chain.

Working in close partnership with the company's leadership team, we identified some key threats to their continued competitiveness, namely: Declining cash flow in a competitive and evolving market environment; product delays due to product development and supplier issues, poor vendor management, manufacturing effectiveness issues and outdated, outpriced, and stagnant logistics in a single-source environment. In addition, the company's covenant restricted investment mandated disciplined actions to improve performance. Together, we implemented a new product development and introduction approach that, along with our tried and true procurement and logistics best practices, changed the game for the company. This included:

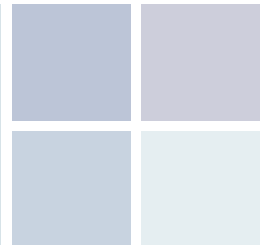


- Creating and delivering complex "Request for X" (RFx) and negotiation programs in strategic procurement to drive cost out of existing products and new product introduction
- Developing and executing a modular RFx and negotiations for logistics services, providing a market analysis of products, players, solutions, and costs to line up with the business
- Migrating the client to Tier 1 contract Electronics Manufacturing Services (EMS) partners from lower tier providers to drive improved value creation from the supplier community
- Designing and implementing vendor management processes/templates. Facilitating the development and implementation of stage-gate and product development processes – to accelerate and ensure projects are delivered to market on time and within shorter timelines

By moving procurement and logistics further up the maturity curve (procurement is now functioning at level 4) the company has improved performance and achieved savings. This will provide a strong foundation for their future growth on an accelerated basis.

### Lessons learned for other executives

- Even if your procurement and logistics are of high maturity, there is still value creation potential through continued maturing as illustrated in the TVO model
- Creating aligned partnerships while maintaining a competitive threat from future incumbent and new suppliers enables you to create and harvest unrealized value within your supply community
- If you are in a single 4PL relationship, there is still an opportunity for improvement



Need help taking an already mature supply chain to the next level?

Want to know more about how Maine Pointe's TVO approach can drive cost, cash and growth in your business?

Talk it through in a no obligation phone call or meeting with one of our executives.

Email: [info@mainepointe.com](mailto:info@mainepointe.com) to arrange a call.

### About us

Maine Pointe, a member of the SGS group, is a global implementation-focused consulting firm trusted by many chief executives and private equity firms to drive compelling economic returns for their companies. We achieve this by delivering accelerated, sustainable improvements in both EBITDA and cash across their procurement, logistics, operations and data analytics. Our hands-on implementation experts work with executives and their teams to rapidly break through functional silos and transform the plan-buy-make-move-fulfill supply chain to deliver the greatest value to customers and stakeholders at the lowest cost and risk to business. We call this Total Value Optimization (TVO)™.

Maine Pointe's engagements are results-driven and deliver between 4:1-8:1 ROI. We are so confident in our work and our processes that we provide a unique 100% guarantee of engagement fees based on annualized savings.

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