



Throwing out the rule book nets hard benefits

A leading US electronics retailer reaped \$50 million in hard benefits and freed up over \$200 million in cash, using Celerant Consulting's help to really understand how the company works and effect a major culture shift

Growth Plateau

A decade of consistently profitable growth is hard to achieve in the fiercely competitive retail electronics sector.

As one leading US company found, it's even harder to maintain this kind of performance without some kind of radical renewal in strategy and operations.

Yet the CEO was convinced the company still had potential to achieve substantial performance improvements.

Celerant Consulting (Celerant) was given the task of identifying exactly where that potential lay in the business, and helping to design a project that would turn it into dollars.

MORE THAN AN EFFICIENCY INITIATIVE

Simple efficiency improvements were not going to be enough. The company needed to acquire a new mindset and new capabilities, so that employees at every level had the skills and motivation to keep pursuing higher performance.

A wide range of influences and experiences had created a culture where the company tended to operate as if under a 'rule book'. It needed to become a company that was driven by key processes which were documented, and where people had latitude to act when the prescribed way of working didn't deliver the desired results.

For some employees, letting go of the 'rule book' was challenging. Senior management and Celerant collaborated closely to give people the support and strength they needed to make the change.

Results

- Nearly \$50 million in hard benefits from inventory efficiencies
 - Efficiencies include reduced cost of goods, reduced inventories, improved vendor terms, and improvements to logistics and distribution
- More than \$200 million cash flow freed via reduced inventory demands
- Inventory weeks of supply reduced from 24 to 18.1
- Increase in inventory turns from 2.4 to 2.6
- Average cycle time for new product development reduced from 9 months to 7 months

"With Celerant, we're really understanding how the company works. We're identifying opportunities to improve and making the right decisions to sustain great performance." President and CEO



MEASURABLE GAINS

Celerant's analysis at the outset of the project found room for improvement across many areas of the business: sales and profit planning; product life cycle management; marketing and advertising; forecasting, inventory and vendor management; strategic sourcing; sales channel and operations; distribution and logistic management; product portfolio and assortment planning.

Turning these opportunities into reality hinged on the implementation of a Management System (Celerant's proprietary MCRS®) in all the key operations functions.

Mapping the company's existing processes, to highlight where changes would be most beneficial, uncovered some surprises – for example, the company was administering 14 different product return processes.

This kind of discovery made it clear that the CEO's instinct was right.

And 12 weeks into the project, significant results started to emerge. For example, by stopping purchase orders for products that were not actually needed in the inventory, the company reduced both its spend and its inventory levels.

Having seen the impact of this action, the next step was to rationalise the product lines. Products that were not core to the business and were not very profitable were simply discontinued, adding further improvements to the bottom line.

STRATEGY FOCUSED

The CEO also sensed that performance gains would be more sustainable if the executive group as a whole took a more strategy-focused organisation approach. This meant introducing a balanced scorecard that was correlated to the performance improvement project.

Executive compensation was linked to balanced scorecard results, using metrics that the whole executive group agreed on.

Feeding into the management scorecards was a thoughtfully chosen set of key leading and lagging indicators of the company's performance. Executives are kept up to date on all the indicators by their MCRS®.

These provide the 'fuel' for regular management meetings, problem solving and preventive actions that together continue to push the company's performance ever higher.

"We've also realised important soft benefits, such as time-savings around new product introductions, and reducing inaccuracies in our print and media." Chief Supply Chain Officer

"All the benefits we've achieved have not required major capital or IT investments." Senior Vice President

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Contact us

Americas	+ 1 781 674 0400
Belgium	+ 32 (0) 2 762 52 38
Denmark	+ 45 35 45 90 01
Finland	+ 358 10 396 8800
France	+ 33 (0) 1 56 69 53 00
Germany	+ 49 (0) 211 58 33 00 33
The Netherlands	+ 31 (0) 20 570 5400
Norway	+ 47 22 43 29 23
Sweden	+ 46 (0) 8 670 6579
United Kingdom	+ 44 (0) 20 8338 5000

www.celerantconsulting.com

"We credit Celerant with helping our employees apply appropriate, structured tools to analyse all our key processes and to start reengineering those that would yield the most added value." Senior Vice President

