

Situation

The client, a \$10B consumer packaged-goods supplier, had recently managed through a period significant cost inflation by focusing on supply chain optimization and operating cost reduction, as well as financial engineering that enabled the client to deliver a top-tier profit performance despite slowing top-line growth. However, it was clear to management that top-line growth needed to accelerate significantly, as margin improvements alone could not deliver top-tier performance going forward.

Approach

Working closely with the client, we developed a granular understanding of the client's current and projected profitability as well as the profitability of key competitors. We were thus able to estimate current and future profits by any combination of product category, customer and region, both for the overall market and for our client. We also developed a detailed view of the strategic drivers of performance, understanding the structure attractiveness of the client's product/channel/region markets as well as the client's ability to establish an advantaged competitive position with those markets.

Result

We identified several product categories and countries in which the company was underperforming its potential for profitable growth. For example, they had in recent years lost share in their most profitable product category with their most profitable customers, even as they increased share with their least profitable product category at their least profitable customers. We identified the highest priority issues and opportunities for management focus, based on their potential for value creation; this formed the management agenda. The items on the management agenda were a combination of growth initiatives and margin improvement opportunities.

Path Forward (In Progress)

Once the management agenda was finalized with the CEO, CFO, COO and top line managers, the workplan was to kick off three projects focused on the most urgent and value creating items on the agenda. Following the completion of those projects, we will begin a second round of similar projects. The projects are designed to develop a very specific, achievable path forward on each opportunity based on a granular drill-down into the economics and evolving strategic situation surrounding each opportunity. The goal of each project is to agree on a specific set of investments by top management and a specific set of performance commitments and milestones by line managers; those investments, commitments and milestones then will be built into the annual corporate budgets and targets.