

Obde Solutions

no1

Rapid Business Assessment

Obde & Co

*When do you need a
Rapid Business
Assessment?*

*Peter Smith
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When do you need a Rapid Business Assessment?

There are situations when a company needs a prompt overview of the commercial and operational fitness of a business, and how well the two are interacting.

Our combined experience, during more than 30 years of advising clients in many different industries, together with a rigorous set of analytical tools, allows us to offer you a fast and cost effective assessment of the fundamentals of your business success.

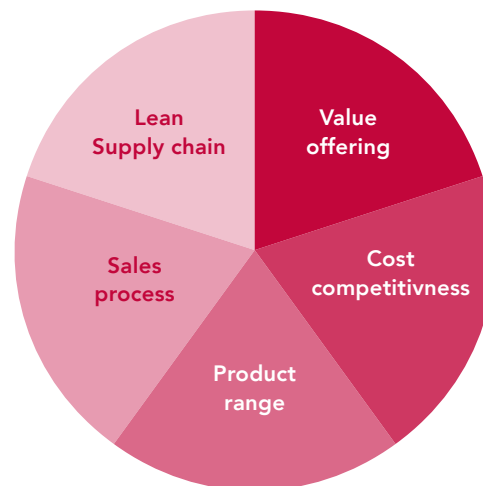
The approach we have developed, the Rapid Business Assessment (RBA), can be delivered within one working week and provides you with a comprehensive, cross functional, analysis of the business in question.

The Ohde RBA is particularly useful as

- A pre-study; to establish the focus for an in-depth operational or commercial review
- Input to your strategic planning
- A first evaluation of a potential acquisition target; preceding, or as support to, Due Diligence

KEY AREAS ADDRESSED IN THE RBA

The RBA focusses on areas in a business that are critical for business success.



Some examples of how we address the five key areas

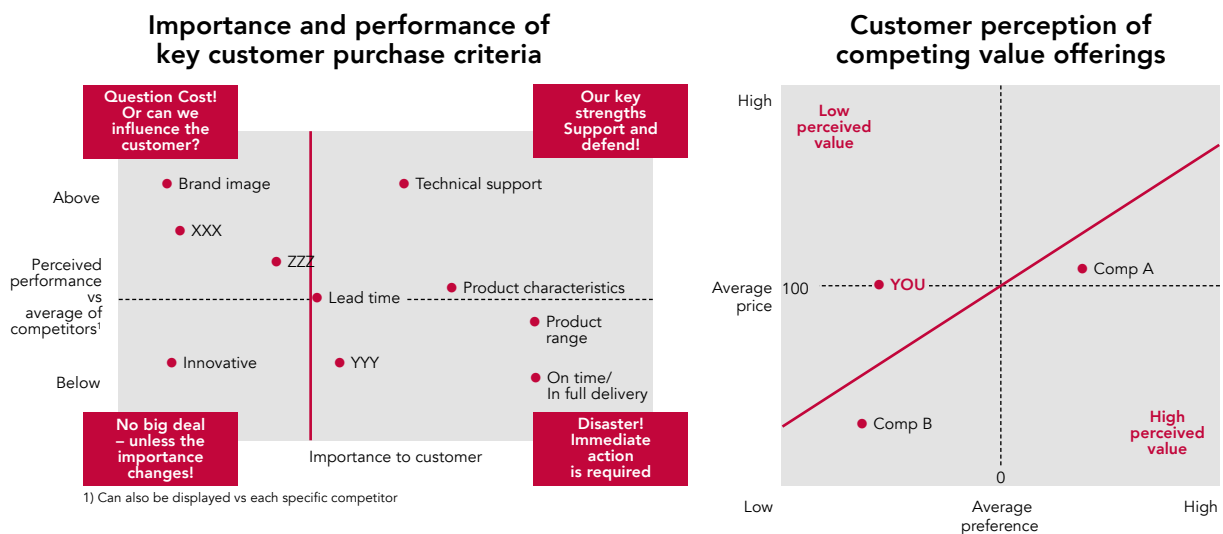
VALUE OFFERING

In our view, everything starts with the customer and being able to provide a value offering that is preferable to the customer when compared to alternative offers.

We are proud to be able to offer the acclaimed PIMS® Customer Value Analysis in determining the perceived value position of the business in question. PIMS® CVA was developed as part of the PIMS research programme and has been used by thousands of businesses around the globe, and in almost every conceivable industry, to determine e.g.

- In which key areas is improvement – relative to competitors – needed?
- What price strategy is required?
- Is our business truly in a value position that will allow profitable growth?

– as perceived by the customer!

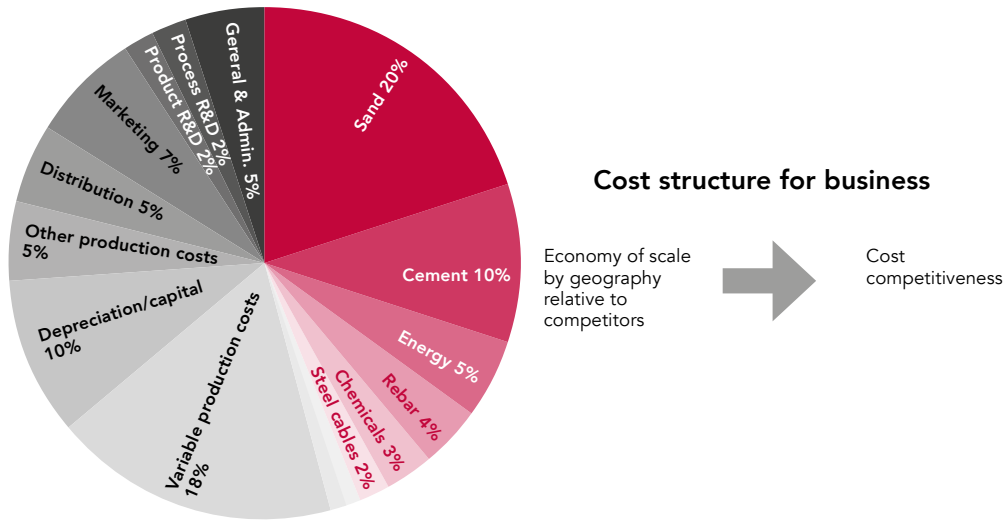


COST COMPETITIVENESS

One of the components of PIMS® Customer Value Analysis is price, relative to competitors. Your long term ability to set a competitive relative price is, to a significant degree, driven by cost competitiveness. A business that isn't cost competitive has a difficult task in reaching acceptable profitability and growth.

As an example, we frequently see cases where acquisitions are made in order to reach cost competitiveness by realising "economies of scale". Unfortunately, the reality is that many such cases are built on wishful thinking and the economies of scale simply do not exist.

Establishing if – and where in time and geography – economies of scale exist, and their potential impact, is therefore a fundamental area to review.



PRODUCT RANGE AND COMPLEXITY

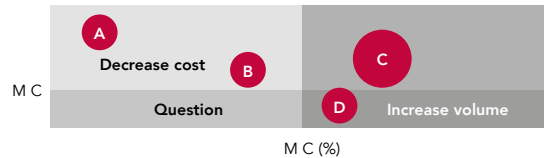
A complex range of products may positively affect revenue but it is even more likely to drive costs so that the end result is negative.

The third focus area in the Rapid Business Assessment is therefore analysing the product range and the effects this has on profitability and growth.

Product profitability (e.g. GM) per (% of Sales)

	% of Sales 0–80%	81–95%	96–100%
Profitability +	3	4	23
+/-	1	1	8
-	2	2	6

Product and Customer Profitability Matrix



Product and Customer, Profitability Matrix

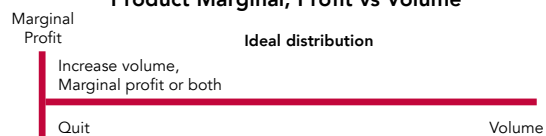
ABCZ Analysis – Example

		Products								
		A	B	C	Total					
		164 articles 160 MEUR Revenue 70 MEUR GM	207 articles 30 MEUR Revenue 7 MEUR GM	1 057 articles 14 MEUR Revenue 3 MEUR GM	1 428 articles 204 MEUR Revenue 80 MEUR GM (39% GM)					
Customers	A	130 customers	45%	26%	24%					
	163 MEUR revenue	130	134	142	130	22	179	130	7.5	646
	67 MEUR GM		59		5.5		1.7			
B	240 customers	41%	30%	18%						
27 MEUR revenue	190	18	86	170	2.7	87	190	3.4	366	
9 MEUR GM		7.4		0.8		0.4				
C	1 200 customers	39%	21%	14%						
16 MEUR revenue	910	8.8	84	940	4.2	118	1 110	2.8	655	
5 MEUR GM		3.4		1		0.4				
Total 1 570 customers								# Customers	GMPL	# Articles
								GM MEUR		

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Product Marginal, Profit vs Volume



We use our ABC² (gross margin) and ABC³ (margin after **relevant** indirect costs) models to calculate contribution margins by product group *and* customer group and address questions like

- Are there product groups (and customer groups) that should be questioned? Can anything be done to change this?
- How should “A” customers (the large customers making up 80% of sales) be handled?
- What can be done about tail end products – and tail end customers?

in order to improve profitability

SALES PROCESS

Even with the best product range and the most cost competitive offering you may still find that you are not selling as much as you had expected. Could the selling process and organisation be the cause?

- Does a sales process exist? Is it adhered to?
- If, and how, CRM is used
- How can efficiency be improved?



By mapping the sales process we can determine and establish the efficiency of the different parts of the selling organisation and start to answer these questions.

LEAN SUPPLY CHAIN

The analysis of the supply chain provides a practical overview of the supply chain structure and potential for improvement.

Is the overall supply chain structure efficient? Can changes in products, assembly or stocking enable improvements of lead time?

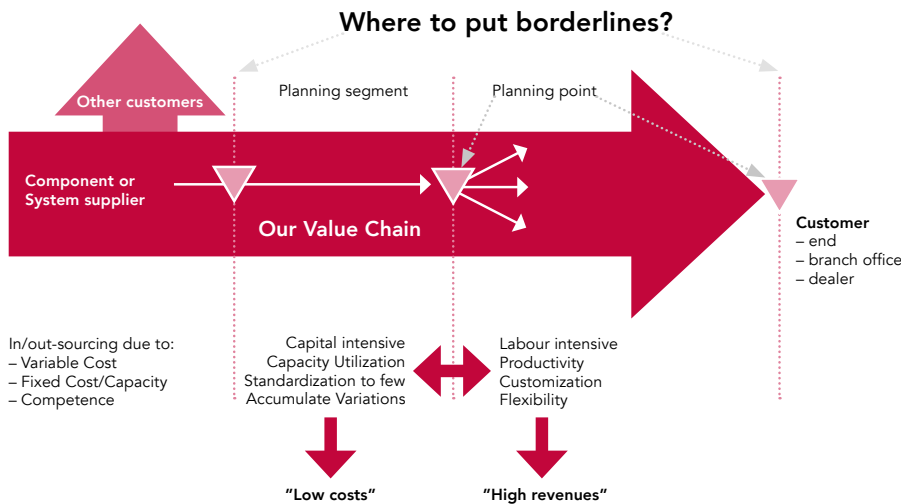
Lean structure

The **manufacturing technology** that has been chosen has an impact on the structure of the supply chain – e.g. casting (capital intensive) or pressing or welding (labour intensive). In the RBA we establish if there is a potential to change technology and how this could affect the supply chain structure.

In the same way, we briefly review the chosen **product architecture** and provide a first opinion on the potential to modularize, standardize, implement carry over and improve commonality.

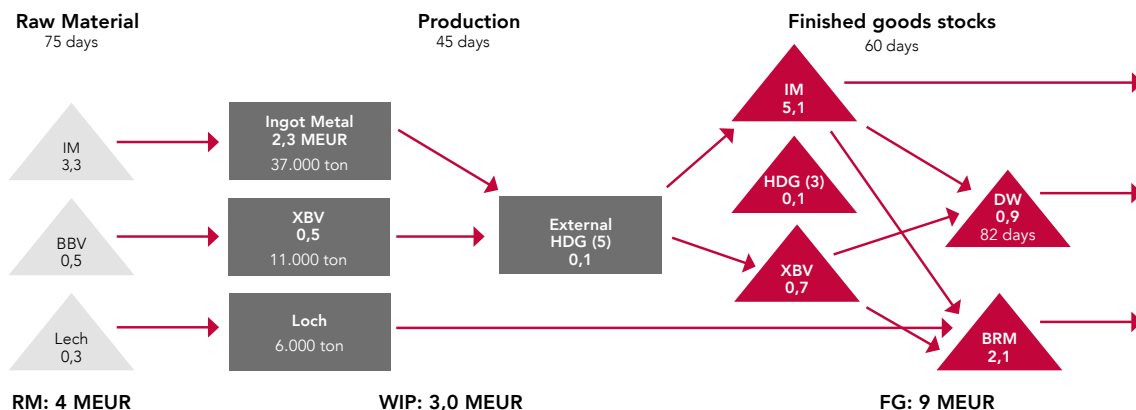
It is important to establish if the structure of the supply chain allows you to **offer differentiation** that is valued by the customers – but without losing economies of scale.

Normally, the further back in the value chain you are, the more essential it is to safeguard economies of scale through standardization and efficient use of capital intensive equipment. At some point in the value chain the product becomes more differentiated, maybe even customized. This often also means a more labour intensive environment and may require a stocking point of components, or modules, at this “splitting point”.



From the stocking point you need to be able to supply the market within required lead times. If not, it may be necessary to stock finished goods. This can be costly and hinder the degree of differentiation you would like to offer the customer.

By mapping the physical flow from suppliers to customer we are able to detect bottlenecks and imbalances



Operational factors

At a more operational level, we review if there are improvements to be made from;

- Layout of equipment – does it facilitate a good physical flow?
- Condition of equipment – is there any equipment that will need replacing fairly soon?
- Stocking – Volume/Value analysis identifies slow movers and may challenge batch sizes (see below)

VV-class	Group Criteria, COGS value	No of item no's with stock 2014	Total consumption 2014 COGS, KEUR	Average stock during 2014, KEUR	Average consumption per item, KEUR	Average stock/item, KEUR	Stock, days	Theoretical "over stock" 60 days
a	>3 Million	0	0	0	0	0	0	0
b	1-3 Million	3	3 836	361	1 279	120	34	0
c	300 000-1 Million	8	4 385	699	548	87	58	0
d	100 000-300 000	16	2 507	486	157	30	71	73
e	30 000-100 000	25	1 302	375	52	15	105	161
f	10 000-30 000	35	610	242	17	7	145	142
g	3 000-10 000	62	330	249	5	4	275	195
h	1 000-3 000	76	131	125	2	2	346	103
i	300-1 000	90	56	135	1	2	874	126
j	<300	186	22	112	0	1	1 832	108
k	0	299	-13	187	0	1		187
		800	13 167	2 970			82	1 095

A COMPREHENSIVE REVIEW OF A BUSINESS IN ONE WORKING WEEK

For each project, we put together the most suitable taskforce from our team of hands-on senior consultants (we only use seniors). From their extensive experience of working in management positions in e.g., supply chain, sales & marketing, product development, in manufacturing industries, service, consumer goods, transportation e t c, we are able to tailor the group that is best suited to the specific situation.

We spend 3-5 days with the business in question and work closely with its management to assemble the required data, analyse these, and present our findings and conclusions – all in the same week.

This approach provides the client with a fast and cost effective assessment of the business in question and helps the client to focus on the key issues for the next steps. And, in some acquisition cases, has helped the client avoid spending time and money on a lame duck.

OHDE & CO was founded in 1993 and we are today about 15 consultants. Most of us hold masters degrees, and we all have long experience from both operational management positions and management consultancy. Typical customers are mid-sized companies in manufacturing and services.

We cooperate with Malik Management, St.Gallen and PIMS Associates, London. Through this cooperation we have access to the well known and extensive database and business model simulation tool; PIMS – Profit Impact of Market Strategy.

Please contact us for further information.



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