

Case Study

Parts Distributor Accelerates Business Unit Integrations

Solution Overview

Industry

Industrial Supply Distribution

Business Functions

Sales, Marketing, Human Resources, Finance, Information Technology, and Supply Chain Operations

Business Issue

Integration of multiple business units with disparate organizational objectives, sales approaches, and distribution channels.

Solution

Installed a framework for governing integration activities and tools for fostering innovative solution design.

Benefits

The Encore solution provided a comprehensive action plan to the integration activities, work teams focused on mission-critical outcomes, and an accelerated achievement of business objectives.

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Integrating disparate business units can benefit an organization through gains in complementary product offerings, industry knowledge sharing, procurement purchase power, and operational productivity. If you ask experienced integrators, they will undoubtedly note that the best thing about integration activity is the end, as there may be no more difficult task in business than the seamless consolidation of two separate business units. This case study examines a \$500MM industrial supply distributor client that employed Encore Consulting to define the approach and plan the activities to accelerate the integration of two business units with distinct sales, purchasing, and financial processes, but with shared logistics and IT practices.

The Challenge

Through a series of acquisitions, this distributor client had added new products, customers, sales teams, and distribution locations to its base business model. Performance lags in revenue and SG&A, combined with a changing customer relationship, caused the senior management team to evaluate options to turn around these performance deficiencies. As compared to their competitors, and the industry, the client was suffering from the following issues:

- **Single-digit Revenue Growth**— Annual attrition cost the client approximately 35% of all accounts, and approximately 50% of their customers every 3 years. An inability to grow revenues at current customers was a key contributor to this attrition.
- **Higher-than-industry SG&A** — Operational duplicity, decentralized product marketing efforts, and an aging, independent sales force added to higher-than-industry costs. Despite high service levels and value added customer service, overhead costs outstripped the added value, and caused profit margins to shrink.
- **Changing Customer Model** — Customer needs had begun to migrate away from the high-value account management model the client had employed. These changes were caused by customer vendor consolidation, product commoditization, and competitor service models that diluted the value once unique to the client.

The Solution

The principle objective of this effort was to provide an approach that would validate the solutions proposed by senior management and assemble an actionable plan that changes the client's go-to-market strategy from a business-unit based sales and operations organization to a product- and customer-based sales and operations model while minimizing the disruption that is a natural outgrowth of this kind of change. To envision the future state and innovate new process and functional capabilities in support of this consolidated organization, Encore brought in a small team that facilitated a series of workshops with the business teams over an eight-week period. The workshops accomplished the following:

- **gained consensus** amongst business unit leaders on its Mission-Critical Business Outcomes
- **developed Idea Blueprints** on a prioritized group of activities innovated and modified by the business teams for implementation
- **created an Action Plan** that brought focus to the most critical activities and eliminated wasteful efforts
- **installed governance guidelines** that enabled business leaders to focus on resolving the most critical issues of the integration, align the right activities, and link the right resources to these activities.

Additionally, the senior management team instilled a sense of ownership in the business units that had been missing in previous change initiatives, which led to a more inspired workforce and a renewed sense of pride in their accomplishments to turn around the performance of their business.

The Benefit

By looking at their business through a different lens, this client removed the façade of habit to find solutions to their integration activities they had never considered in the past, in a timeframe that was considerably shorter than they had planned. By employing a different set of tools to think through their issues, the client developed a different set of answers to the problems that they had not been able to successfully remedy.

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