

**PROVIDING SOLUTIONS FOR PEAK PERFORMANCE**

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**"Can't See the Forest for the Trees"**

When top line revenues are not growing, the immediate reaction is to cut spending and reduce headcount. While this provides a short term fix, it does not always solve longer term challenges, particularly if the downturn is driven by other market factors.

The next questions asked often start with "How can we....."

- Increase working capital?
- Reduce overall inventory?
- Improve cash flow?
- Improve forecasting?
- Improve purchasing processes?
- Improve inventory turn?
- Improve EBITDA?
- Improve operating income?

During periods of stagnant or declining revenue; operational inefficiencies and the need to answer these questions becomes more evident; but solving them is rarely easy.

While the first reaction is to look internally for the answers, rarely do the remaining employees have time, much less the expertise. Many are already stressed due to workforce reductions having already taken on responsibilities that used to be done by one or two other people. Adding the task of identifying solutions for these questions, brings the saying "can't see the forest for the trees" to a whole new level.

Finding and identifying solutions requires a combination of specific expertise, knowledge and focused resources. Firms like Racca Solutions Group exist as we tend to be more objective, have specialized experience, act as a catalyst for change, provide pragmatic solutions and have the ability to transfer knowledge to ensure the efficiencies gained can be sustained.

In summary, while there may be a cost to hiring an outside firm to assist, a measurable 6-10X return on that investment is invaluable, as it goes straight to the bottom line.

**Case Study - Inventory costs reduced by \$4M; 8X Return on their Investment (ROI).**

**CHALLENGE:**

Through a baseline assessment, it was identified that excess product was a key factor affecting the cash flow, working capital, overall margin, payroll, warehouse space and the ability to expand their business.

As a result of over-ordering in the interest of maximizing truck loads, excess inventory resulted. Lead times, maximum stocking levels, and re-order points were neglected and not consistently updated. Obsolete product became misplaced and completely forgotten.

Racca Solutions Group Team was brought in to implement proven operational methodologies and practices.

**SOLUTION:**

1. Gather, analyze, clean up and sustain data to accurately identify SKU demand levels
2. Reduce overall inventory
3. Implement control system for purchasing
4. Automate inventory planning & forecasting
5. Implement key reporting that includes product classifications, inventory turns, and on time deliveries
6. Implement formal procedures and work instructions

**RESULTS:**

Within the first 60 days of implementation, on hand inventory was reduced by \$300K. That number climbed to \$1M by the end of the next month through improvements in manual purchasing processes. However, to create a sustainable process, a control system was purchased and implemented. As a result, inventory reduction costs will climb to \$4M by year end delivering the client an 8X ROI.

