



# CASE STUDY

## BUSINESS STRATEGY: STRATEGY FORMULATION

**Client Industry: Financial Services**

### BUSINESS CHALLENGE

The client had noted a steady decline in the profit margins across the 9 products of a large segment of a beverage portfolio. The problem was complex - there were issues of central cost allocation, distribution costs, brand awareness and market uptake, innovation processes and material costs. Two previous internal projects had failed to bottom out the root cause of this decline.

### PSP ICON APPROACH

PSP Icon partnered with the Client's strategy resource to analyse 8 tennets of product profitability that had been highlighted. It was a broad-sweeping analysis that covered areas from Innovation to Production, from Distribution through Costing and financial modeling.

### RESULTS

The final analysis was well-received and presented by the Board.

The Client understood how central cost allocation was biased against this portfolio, And so a shift in production at a plant had eaten away at portfolio profits. They had previously allocated costs by volume and once corrected to an allocation by Equivalent Units (EUs), there was a marked improvement in the slide.

The Client had clear view of the product lifecycles for their products, and critically, of the innovation cycles required to achieve this. The market was a rapidly evolving one, where product lifecycles were typically 2 years from birth to death. The client had not launched a new product in 4 years, and so the decline was imminent.

The Client was also able to establish a strategy for a standardized innovation process that would allow them to be more agile in the marketplace. Certain manufacturing materials were adding exorbitant amounts to the cost that could not justify their worth.

Distribution depots were benchmarked to more accurately assess performance. Previously, CBD based depots were seen to be outperforming because of the lower distance to customer, but when modeled against more relevant metrics, many of these depots were seen to be more wasteful.

**PROFESSIONAL PEOPLE, TRUSTED RESULTS**