

Solution Providers

Case Histories



B I Z S O N

Volume driven confronted with market change

“A family-owned Group with established market share and leadership, based on a volume strategy at low cost, got margin squeezed between growing purchasing power of its narrow customer base of retail chains, its competitors and the slow down in market growth.”

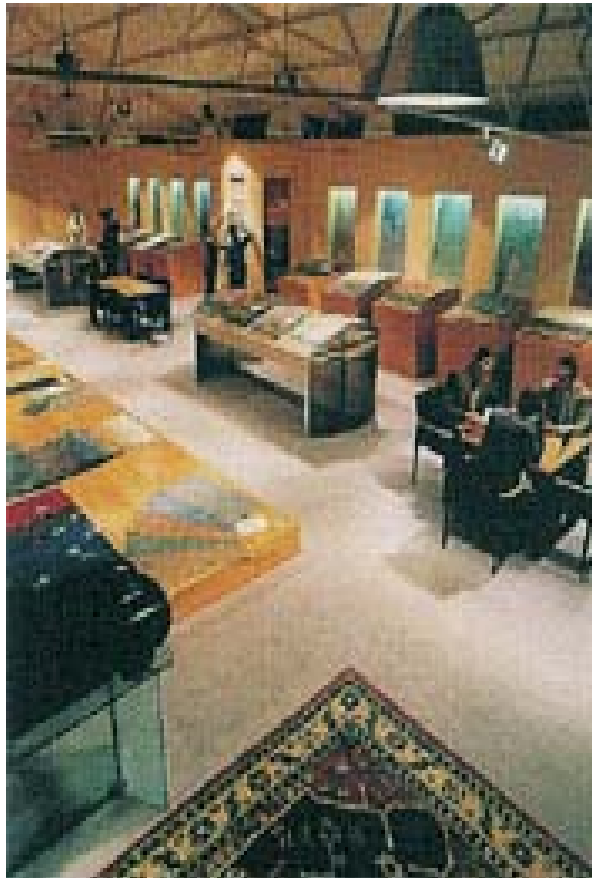
Volume driven confronted with market change

The Basic Data

- **Industry:** Tufting & weaving
- **Company:** a Belgian company of a family-owned vertical integrated Group
- **Products:** tufted, woven, needle punched broadloom and machine woven rugs
- **Market:** retail chains – importers - distributors
- **Sales area:** worldwide (110 different countries)



Volume driven confronted with market change



The Problem

The slow down of market growth in contrast with the increased capacity at the supply side, surprised the production driven company in absence of a market strategy.

- Production – volume driven, unaware of the market
- Lack of costing & reporting tools, cost control, up-to-date ICT environment
- Volume dogma, ignoring the continuous market squeeze
- Ignoring the dependence of an unstable Russian market

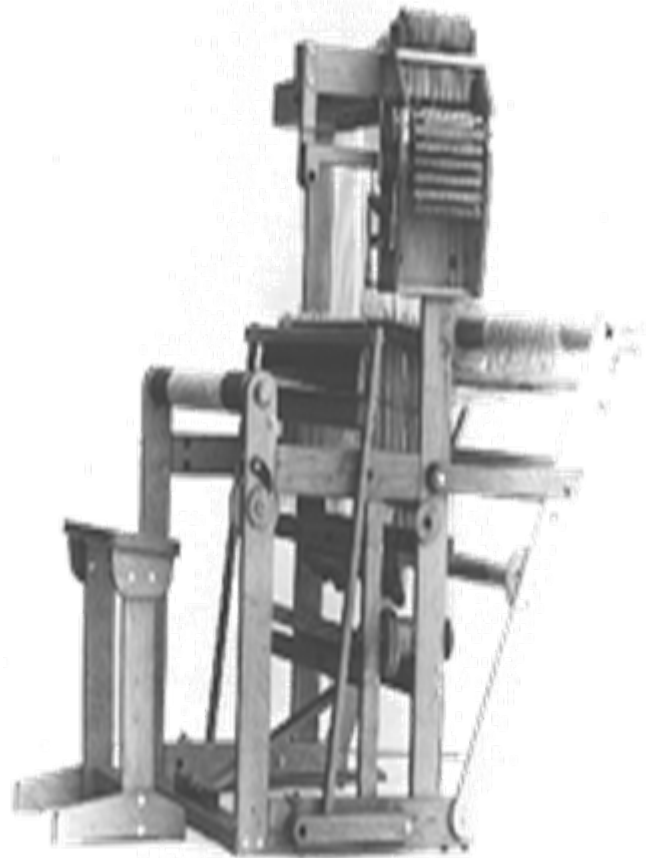
Resulting in an overnight change from cash positive into tremendous cash-drains

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BIZSON was called upon to reposition the company and to professionalize the organization

BIZSON conceived a total reorganization plan for the company:

- **creating “mission statement” philosophy**
- **in a redesigned environment for day-to-day management**
- **with focused market approach**
- **renewed awareness for margins**
- **on a reshaped volume platform.**



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- BIZSON was asked to implement the plan based on pro forma cash flow, P&L and balance sheets with milestones towards levels of achievement.
- BIZSON prepared a 3 year business plan, incorporating and documenting changes and improvements.

“The financial projections reflected a way out of the vicious circle of volume/cash-drains and scope for a new future in a redesigned shape and attitude, focused on a market approach from a different perspective.”



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The actions taken – short term:

- **Significant cost reduction program was installed**
 - Lay-off of 25 white collars
 - Working capital improvement (inventory reduction of 20 Mio €)
 - Activation of “credit control” department and installing procedures
 - Solving customer claims in an acceptable time frame
 - Lay-off “top management”, recruiting new management out of internal promotions
- **Consolidation of the different sales forces (split by technology) into one with a geographical fit, selling the whole product range**
- **Reviewing material flow, technical and production facilities**
 - B-grades production from 4% to 2%
 - Reducing customer claims from 7% to 2.5%
- **A ABC costing manufacturing system was implemented**
- **Reporting & management tools created**
- **Creating an integrated ICT platform**
- **Review of distribution and transportation facilities**

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The actions taken – long term:

- Pareto analysis on customer/product base with margin, rotation, run lengths as determinants
- Installing minimum run requirements for “collection” and “special orders”
- Optimizing productivity and efficiency throughout the plant
- Reinforcing the “development” department from “me too” into innovation
- Shut down of the machine woven rugs department (major lay-off: 250 employees), concentrating on broadloom
- Redefining the technology portfolio, making some inadequate machinery idle
- Entrance in the wholesale market with specific product ranges

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Results

- The improvement programs as well as the business strategy/plan proved to be highly successful, showing efficiency and profitability growth at an accelerated level.
- The implementation of the total plan allowed for a break through, creating cash, a market strategy and a new cultural behavior in the company.



Ready for the future



After one and half years,
with a clear mission
and a redefined market
approach:

- Output from 45 Mio m²/annum -> 30 Mio m²/annum
- Sales from 210 Mio € -> 160 Mio \$
- Cash drain of 15 Mio € -> cash flow of 25 Mio €

The future started here

The company enjoys continuity on the right track, and at this very moment, as competitors struggle for life, wealth creation continues on an ongoing bases in this company.



Solutions Providers

The Full Circle Approach

- Examine
- Evaluate
- Diagnose
 - Plan
- Implement

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