

Performance:

Major European Apparel Retailer's Performance Improvement Boosts Shareholder Value

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Summary

ApparelCo*, a European based apparel retailer with over 250 stores in 2 countries, sought P&C Global's guidance to improve performance after missing earnings expectations for the first time, causing a significant share price decline.

At a Glance

€2B+

Shareholder Value Created

€105M

Annual Cost Savings

18

Months Project Duration



* Per the client's request, any identifying information has been excluded.

The Situation

ApparelCo, a European apparel retailer with over 250 stores spanning 2 countries, had enjoyed rapid growth and was planning to more than double its store count within 3-5 years and diversify into new channels, products, and geographies. Despite its successful growth, the company had failed to meet its earnings expectations for the first time, causing significant share price decline. Investors blamed a variety of factors including concept saturation, under-performing new stores, and higher than expected operating costs. In addition, costs associated with a poorly timed rebranding effort had escalated dramatically and created customer confusion, negatively impacting sales.

ApparelCo asked P&C for answers to three questions:

- How can we effectively lower our operating costs without sacrificing our growth aspirations?
- What changes should we make to our product and pricing strategies to better align with our customers' needs and expectations?
- What changes do we need to make to save our rebranding initiative?



Our Approach

P&C worked closely with ApparelCo's key project stakeholders—C-level leaders and stakeholders from across the company—to gather, consolidate, and prioritize the expected outcomes of the performance improvements sought.

First, we identified the company's core strengths. Next, we conducted a thorough analysis of their costs and analyzed their sales data to identify performance impacting patterns. Upon fully understanding the costs and sales data, we articulated the company's performance improvement options in detail.



Our Recommendations

P&C recommended six concurrent performance improvement initiatives to address ApparelCo's issues. Working with the company's key stakeholders, P&C led the execution of each of the concurrent workstreams.

Revenues

Marketing

- Consolidated and refocused marketing spend
- Targeted programs segment to grow share of wallet and number of customers
- Reprioritized R&D pipeline

Organization

- Restructured field front line management
- Created performance management and incentive system
- Optimized store level staffing by store type

Key driver of company store sales out-performance (~10% higher than retail industry average over multi-year horizon)

Products

Procurement

- Centralized procurement function
- Consolidated vendors
- Re-negotiated contracts to reduce costs and improve terms
- Developed strategic supplier relationships

Drove €55M+ of annual savings after year one

Procurement

- Assessed true profitability of all store level SKUs
- Eliminated or re-priced 1800+ problem SKUs
- Rationalized R&D Spending

Drove €12M of annual savings

Operations

People

- Implemented store best practices
- Enhanced store labor productivity by eliminating administrative work
- Increased store level automation

Saved €38M in annual labor staffing costs

Real Estate

- Redefined store "full potential"
- Evaluated store portfolio and identified optimal real estate
- Improved efficiency in leasing, construction and repair and maintenance

20% annual R&M savings and a 7% increase in new store ROI

The Results

P&C delivered €105M in annual cost savings and transformed key aspects of ApparelCo's procurement, merchandising, marketing, real estate, and store operations which led to immediate and sustained revenue, cost, and competitive differentiation improvements. These outcomes created over €2.8 billion in shareholder value since the start of the engagement.





pandcglobal.com



P +1 (214) 624-9575
E info@pournader.us