

Case Study

PRODUCT PROFITABILITY ANALYSIS AND SKU RATIONALIZATION - BRANDED CONSUMER PRODUCTS MANUFACTURER

SECTOR: CONSUMER/RETAIL

SKU Rationalization

Profitability Analysis

Enhancement of Management Reporting Tools

Team Size: 1 Director, 1 Associate

Project Duration: 10 weeks

The Requirement – Visibility into Product Margins

A well-known, \$250MM maker of housewares products had responded to a stagnant category by launching a series of new products and new brands. Because of outdated financial systems and processes, the Company was reporting inaccurate estimates for expense allocations which led to inaccurate profitability at product, customer, and brand levels. A new COO was brought in to assess the true profitability of the new products and brands, and to rationalize brands and categories.

The Execution – Completely Reconstruct the P&Ls Based on Defined Activity

- Accordion worked across departments to build a map of resource usage over a brand and product lifecycle, from concept through design, prototyping, marketing launch and ongoing sales.
- Accordion determined which expenses could be meaningfully allocated and built new P&Ls based on these categories, which enable senior management to focus on the real drivers of strategic decision-making.
- Working with staff in these departments, Accordion was able to determine where the workforce was spending time, by individual employee name, including non-headcount resources.
- Accordion developed a series of data-visualization tools enabling management to quickly determine which products, down to a SKU level, were growing, which were trending more profitable and which represented the best performers.
- Accordion built a product development roadmap to ensure new products and brands would be profitable or would be terminated before significant investment.

The Resolution – Strategic Insights and Efficient Analytical Tools

Over a series of board meetings, Accordion presented our findings about where the Company's resources had been spent for the prior several years, and by extension, which categories should be supported and which discontinued. In its long history, neither the Company nor its investors had produced this information or examined the business this way. The company used these findings to make a series of strategic decisions leading to increased focus and profitability.

Accordion left behind a series of processes and tools the company continues to use to measure profitability, analyze leading indicators and make decisions.

