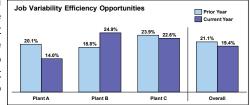
## Operations Diagnostic Of Direct Marketing Services Company: Establishing "One Company" Organization And Operations To Realize Cost Synergies

The Challenge: Our client, an operationally-focused PE firm, recently acquired a direct marketing services company providing direct mailing and analytics services to companies in a range of industries, including financial services, government, utilities, and retail. As a legacy of its past acquisitions, the company operated 3 independently managed business units, each with its own P&L, production facilities, functional structure, and ERP/information systems. From its due diligence, the client believed that the company had an opportunity to reduce cost, and sought to invest some of these savings in sales & marketing of the company's rapidly growing digital and analytics services offering. The client engaged Gotham to conduct a 5-week operations diagnostic of this recently acquired company to pin down opportunities to: (1) improve operational efficiencies; (2) redesign the company's organizational structure; and (3) improve salesforce effectiveness.

Alignment And Analysis Of Data From 3 Separate, Independently Managed Business Units: Faced with separate reporting systems. Gotham first focused on aligning data and operating approaches across the entire company in order to create an apples and apples view of each business unit's performance. We then leveraged this comparative assessment as well as Gotham's benchmarks, to identify potential cost reduction and organizational alignment opportunities. Gotham's effort included:

- Identifying Purchasing Opportunities: To overcome the challenges with the company's purchasing data: separate categorization and item numbering schemes in each business unit and problematic quality of data within the 3 information systems due to custom, job-based nature of production, Gotham created overarching categorizations and identified similar products to create points of comparison. Gotham was then able to identify purchasing opportunities by analyzing: pricing trends; impact of order quantity on purchase prices; and purchase price differences for the same material both within and across plants.
- Rebalancing Direct Labor in Company's Network: Given the job shop mindset, none of the company's plants captured data on job characteristics that would enable comparison among jobs - either within or across plants. Leveraging data for repeat jobs, Gotham analyzed variance from best practice jobs at each plant to measure cost variability and relative cost structure for each of the 3 plants. We established that while there was some opportunity to reduce labor cost in the plants, the bigger opportunity was to rebalance the network. Gotham then conducted a job-by-job review of jobs that could potentially be shifted from the higher cost plant to the lower cost plant to establish the target cost and feasibility of running the job in the target plant.



Performing Robust Salesforce Assessment: Gotham interviewed salespeople and other staff across the company to develop a thorough understanding of sales processes/approach, incentive/compensation structure, and tools/information systems. We also analyzed performance to build a fact base of sales staff's impact on the company's profits and growth compared to cost.

## A "One Company" Organizational Structure Is Critical To Achieving Opportunities

Given that identified cost savings opportunities were of the cross-business unit nature, Gotham conducted interviews with key personnel throughout all 3 production facilities and the headquarters, identifying challenges and discussing the best ways to eliminate disconnect between the plants. Gotham developed several options for an integrated organizational structure to align functions and encourage emergence of a "One Company" culture. Working with the company CEO, Gotham gained buy-in for the "One Company" organizational structure and established that this would not only facilitate capture of identified cost saving opportunities but would also enable headcount reductions in finance, data processing, and account management. Finally, while management believed that an ERP implementation effort was a prerequisite for achieving the "One Company" vision, Gotham was able to leverage the company's existing systems by changing the mapping of general ledger accounts in the company's system.

## Salesforce Optimization Enables Investment Into Growth Opportunities

Our sales performance analysis identified several underperforming salesforce members and established that several top performers were hampered by inadequate sales support, limiting their ability to pursue new accounts. Gotham proposed a sales organization restructuring that included removing underperformers, organizing salesforce by industry vertical, reallocating sales support staff, and hiring "less expensive" salespeople. We quantified the associated savings opportunities and identified key sales & marketing needs for new digital and analytics solutions to invest some portion of the savings in. Working in conjunction with the VP of Sales, Gotham modeled various compensation structure scenarios to increase incentives for new business generation (the original compensation model had a very high base pay and an evergreen commission structure). We established that the legacy approach of hiring highly experienced but expensive sales professionals was not producing the desired results and the company needs to shift to a compensation model with a lower base salary and high commissions that reward new business generation.

## Operational Cost Reduction Opportunities From Leveraging "One Company" Model Measured at 5-7%

Our purchasing analysis identified a large opportunity in coordinating business unit purchases to purchase items in higher volume buckets and at the best network price. We developed an approach of lead commodity purchaser across the network to start capturing these opportunities ahead of ERP and organizational integration. Beyond material spend, the company can reduce cost by rebalancing the network to leverage its currently underutilized, lower cost plant which has the machinery and capacity best suited to take jobs from the company's least efficient plant.

The Outcome: Gotham, supported by our robust data and organizational analysis, provided the client an end-vision, including steps to achieve "quick wins" in cost savings and move towards a "One Company" structure. Based on our diagnostic and recommendations, the company modified its organizational structure, reorganized the salesforce, began rebalancing printing jobs in its network, and launched purchasing savings efforts.