

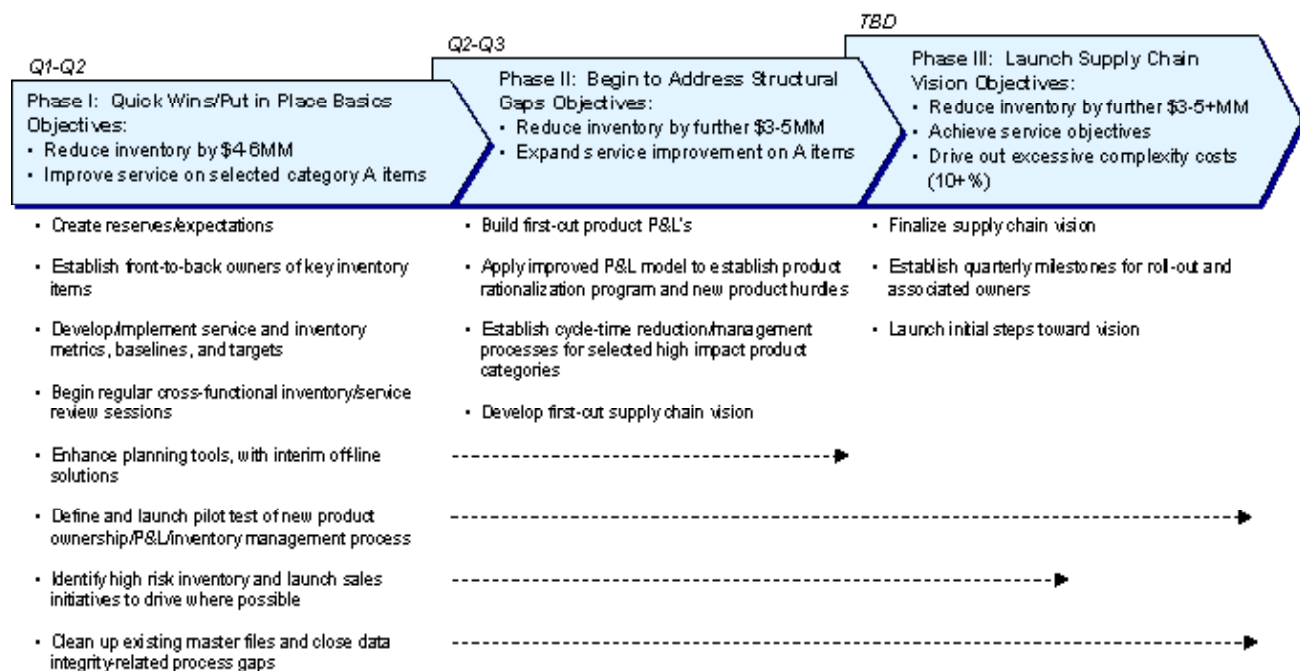
Inventory Optimization At Leading Sporting Safety Equipment Company: Enhancing Forecasting, Planning, And Product Lifecycle Management In Post-Merger Environment

The Challenge: SportCo comprised two distinct sporting goods companies that had merged some 6 years before, for the purpose of creating a single company solution for the market. With ownership changes as a result of a buyout-to-buyout deal, SportCo wanted to tackle inventory inefficiencies that had built up over the post-merger years and that had been highlighted during the recent due diligence conducted on behalf of the private equity firm. Gotham was brought in by the CEO and the management team to get at the root of inventory excesses, put in place effective inventory management processes, and help plan for a fully integrated supply chain.

The Partnership:

Analysis: Working closely with the management team, Gotham performed a 2-week diagnostic to get at the heart of SportCo's inventory issues and set reduction targets. Not surprisingly, much of the problems had resulted from the failure to properly integrate the organizations, systems, and processes of the once separate companies (one focused on manufacturing, and the other on sales and distribution). Further, the dominant culture lacked necessary discipline, and key skills were inadequate in many areas. The diagnostic targeted a \$7-11 MM reduction in the first year off an inventory base of \$25 MM, and a further \$3-5 MM reduction in subsequent years.

Strategy: The aggressive 1st-year target demanded speedy execution and rapid organizational buy-in to/and ownership of process changes. The recommended strategy called for quick wins to begin capturing savings early and to build visibility to and momentum for the effort, before moving on to more structural changes and, ultimately, a supply chain vision that truly integrates the two companies.



Execution: Gotham worked hand-in-hand with four client teams to execute the strategy:

- Planning:** Assign front-to-back owners of key product categories, implement operations/sales process integration, and enhance tools to fit the new model
- New Product Management:** Define and pilot test new model for product introductions including organizational and system responsibilities
- Obsolete/High-Risk Inventory Disposition:** Identify obsolete and high-risk inventory and develop/launch sales/disposition programs
- Measurement and Tracking:** Establish first-cut measures, baseline current performance and set targets, develop reports and establish a regular review process

The Results: Within the first year, \$8MM dollars of inventory reduction has been captured, and SportCo is on target to capture the remaining inventory opportunities.