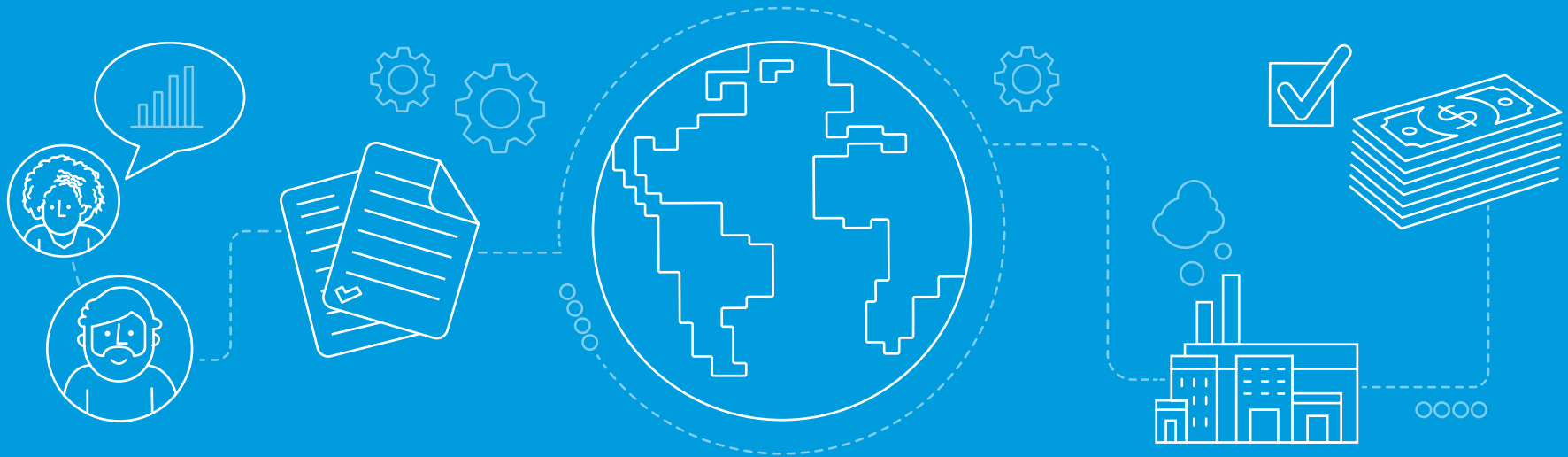


CASE STUDY: GLOBAL EXPANSION SUCCESS

# AFTER AN EARLY SETBACK, AN INDUSTRIAL COMPANY RESETS ITS STRATEGY





## COMPANY

U.S.-based food ingredient manufacturer seeking a way to satisfy customers and increase growth

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## NEED

Relocate a portion of their UK-based manufacturing operations to mainland Europe in order to be closer to customers and help control increasing costs

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## GOAL

Define an optimal path to:

- › Protect European Union (EU) market share
- › Grow new revenue
- › Reduce costs by locating closer to suppliers and end markets in Central Europe

## CHALLENGE

Leaders spent close to three years working with a commercial real estate broker to determine whether investing in a blending facility in Eastern Central Europe would:

- › Generate cost savings to the business
- › Make the company more competitive in the mainland European market
- › Permit growth into newer markets in Europe

However, the broker was unable to recommend any suitable locations. The company realized that their existing approach was failing to drive the process forward.

## ➤ Big-picture challenges

In addition to the challenge of where to locate, company leaders faced customer relationship issues due to market conditions:

- Supply chain uncertainty from Brexit and concerned European customers
- Higher UK operating cost base
- The perception of being a non-local supplier in mainland Europe

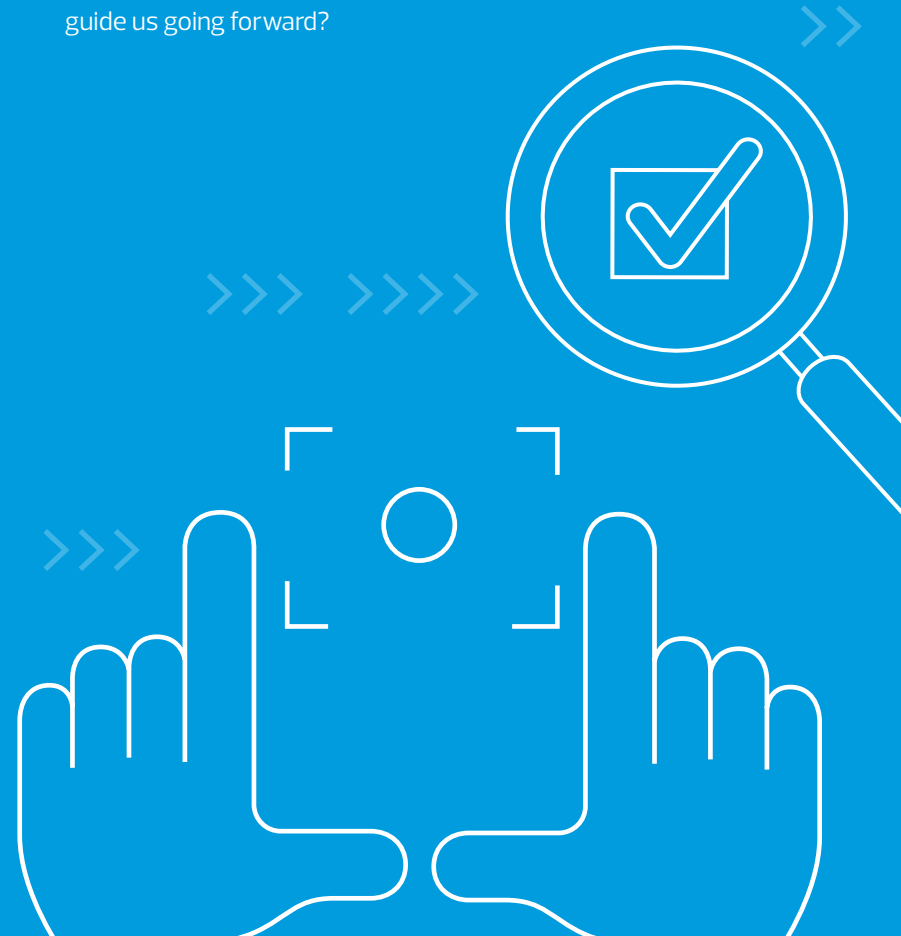
Working with the commercial real estate broker was limiting the focus on the broader challenges the company faced with its desired **global expansion**.

### NEXT STEPS

To address the problem holistically, company leaders would need to think bigger.

## THEY ASKED THEMSELVES:

- What type of compromises do we need to make to achieve our goal?
- What type of partner is best suited to guide us going forward?



QUESTIONS

CONDITIONS

CONSIDERATIONS

DECISIONS

ACTIONS

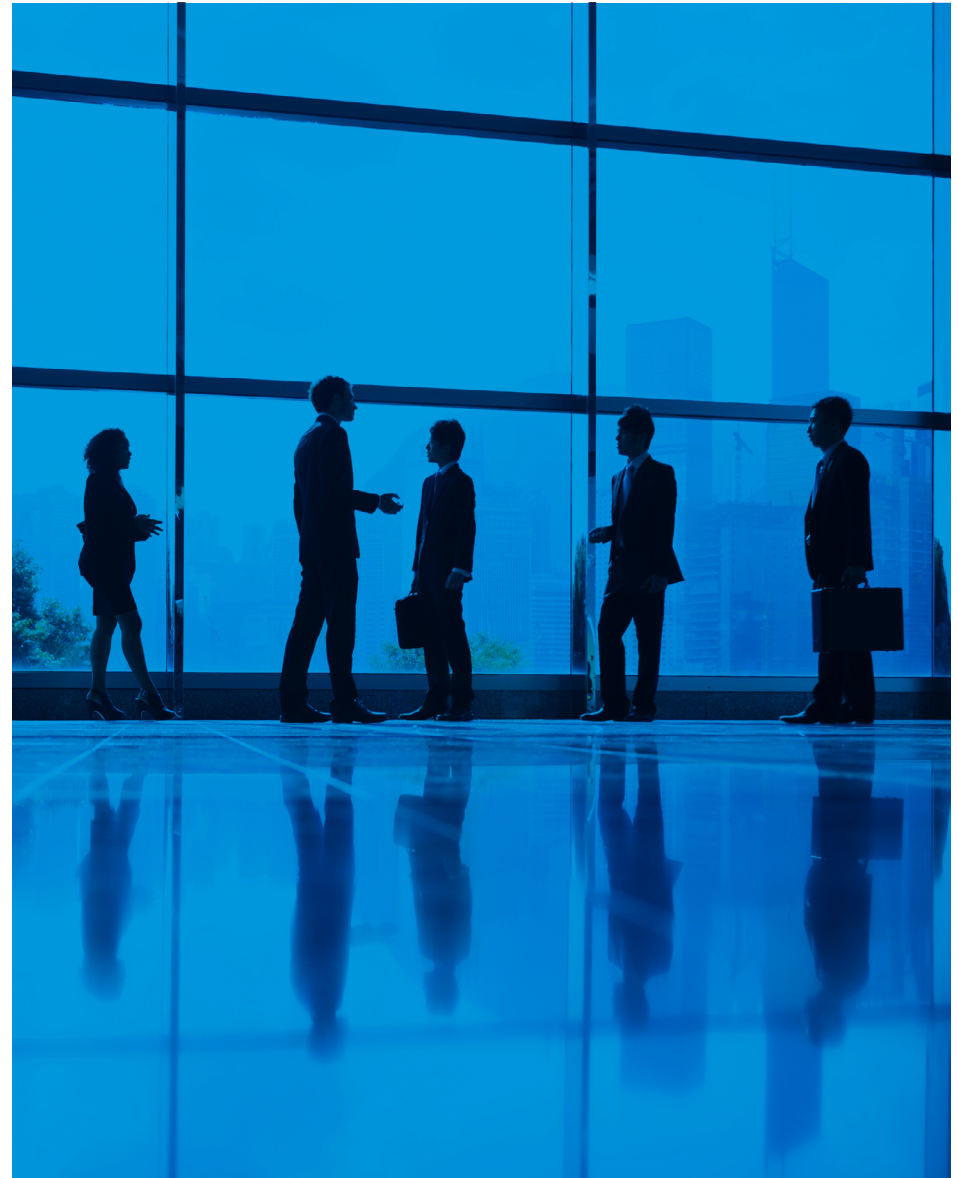
## ➤ Creating a decision framework

The company decided to engage the RSM Strategy Advisory practice to help them craft a better plan. The first step was to break the challenge into financial and non-financial goals. Then, RSM built a decision framework that helped the client systematically explore all available options and determine which expansion model best fit its requirements.

“It’s about creating a process that removes uncertainty every step of the way, allowing the client to move faster and create a solid business plan to help them achieve their goals.”

**MATT DOLLARD**

Director and Industrials Senior Analyst, RSM



# Meeting clients where they are

The client had already spent extensive time and money searching for manufacturing sites to meet its needs, so the RSM team leveraged this investment to speed up the process and ultimately reach a final decision in only 12 weeks.

The RSM team also conducted its own third-party research with recruitment and commercial real estate firms to understand characteristics of the labor markets in the target cities. The new manufacturing location would ultimately have small headcount and require specific operational capabilities.

## Two cities, too many drawbacks



One Central European capital city the RSM team looked at had a low unemployment rate, making a small workforce difficult to recruit. In addition, wages in the city were increasing and competitive, so new employees would have to be incentivized properly.



A second outlying city was underdeveloped and had cheaper labor but lacked the quality and availability of specialized labor the company required.



## Redefining targets through prioritization

To truly get to the heart of what the client needed for its path to growth, RSM underwent an iterative discovery process that took about two months. Through discussions, RSM developed a deep understanding of the client.

The RSM team could then focus in on the best target market fit based on the client's goals, the company's largest near-term growth opportunities and multiple points of validation.

For example, RSM assessed engaging a third-party logistics company vs. an owner-managed facility. This included identifying investment hurdles for each scenario, modeling initial investments, understanding the impacts to customer service and landed costs, and finding location options for customer service shipping.

### KEY PRIORITIES



Financial viability



Legal and regulatory



People



Management capability



Supply chain



Customer experience



Customer service



# Zeroing in on the right location

Upon completion of the expansion study, the RSM team handed the findings over to the client. The company then asked RSM to find five potential sites for the manufacturing plant. RSM conducted a specific search over four weeks and ranked the locations by fit. The client chose the top recommended site, acquired it and is beginning construction.

RSM can help organizations navigate the complexities of global operations.

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