Life Sciences Case Study

PROJECT OVERVIEW

CLARKSTON CONSULTING

Cutting Manufacturing Costs with a Data-Driven Investment Strategy

The client, a recognized leader in medical technology, urgently needed to make a “Big Foot” investment decision for its most important product line. In preparation for the launch of its next-generation products, the company had to decide between leveraging its existing manufacturing facility and resources in the U.K. and building a new Center of Excellence at its recently acquired site in Canada - a state-of-the-art facility with strong R&D capabilities but a higher cost structure.

The client wanted to make a data-driven investment decision to achieve the best long-term business outcome and mitigate the associated risks. The client sought to use the new location to centralize manufacturing and R&D capabilities in order to strengthen market position and allow for future growth.

Clarkston was engaged based on our demonstrated expertise in supply network optimization and financial modeling to lead the design and development of six full P&L financial models, analyze key differentiators, and evaluate the pros and cons of each scenario. These models spanned a period of 16 years, accounting for the remaining life cycle of a number of prior-generation product families.

Clarkston collaborated with the Big Foot project team globally to identify all input data elements and collect time-phased assumptions to develop the 16-year P&L projections. Leveraging advanced modeling skills and supply chain finance knowledge, Clarkston developed flexible and dynamic models with the ability to quickly respond to data changes as assumptions evolved. The models provided detailed and comprehensive analysis on how each scenario would affect the capital expenditure, cost structure, and profitability of the company. Additionally, the models clearly identified different categories of cost and benefits (such as startup, ongoing, and one-time) and were used as the basis to develop standard product costing.

After a series of iterations, Clarkston worked with client executives to reach a quantitatively and qualitatively sound decision for the investment strategy. The new investment decision has been formally communicated throughout the company and is crucial to actualizing the right capacity and R&D capabilities to fuel future growth and optimize total investment. A formal cross-organizational project team is being mobilized with a charter to complete the new footprint by June 2021.

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HQ LOCATION:

Boston, MA

INDUSTRY:

Medical Technology

PRODUCTS & SERVICES:

Point-of-Care Diagnostics and Testing, Laboratory Diagnostics, Medical Imaging

EMPLOYEES:

45,000

PRIMARY OBJECTIVES:

- Make a data-driven decision targeting a $100 million investment in new manufacturing capabilities supporting next-generation product launch
- Plan the full transition to the next-generation diagnostic products in 10 years

RESOLUTION:

- Served as the central focal point to develop cost categories and gather input data and cost assumptions from cross-functional teams globally
- Created flexible and dynamic full P&L models for different footprint scenarios responding to changes in assumptions and data inputs
- Provided detailed and comprehensive analysis and comparisons on how each scenario would affect capital expenditure, cost structure and profitability
- Collaborated with supply chain finance, existing and acquired manufacturing sites, global supply chain and real estate experts to form an optimal solution based on an iterative analytical approach

KEY BENEFITS:

- Our client was able to make a data-driven decision to expand and remodel the acquired site and build a state-of-art facility
- Our client committed to creating a center of excellence for its next-gen diagnostic business to ensure right capacity and R&D capabilities to fuel its future growth
- Our client achieved its business objectives with an optimal investment

CLARKSTON CONSULTING

€2.694b

ESTIMATED REVENUE BETWEEN 2018 AND 2033

€832m

ESTIMATED EBIT BETWEEN 2018 AND 2033

10 years

LENGTH OF SUCCESSFUL TRANSITION TO NEXT-GEN PRODUCTS

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