Consumer Products Case Study

PROJECT OVERVIEW

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Gross Margin Improvement: Operational and Financial Analysis for a Consumer Products Brand

A leading consumer and supplement brand engaged Clarkston Consulting to complete an operational and financial assessment to identify and prioritize projects for gross margin improvement.

Over the past five years, the supplement market has undergone significant changes through product innovation, shifting consumer behaviors, and increased competition from multinational corporations. Changing market dynamics have created cost pressures, resulting in the company needing to improve gross margin, optimize profits, and reinvest in the business to create rapid growth.

Unsure of what projects would have the most financial impact, Clarkston Consulting completed an assessment of the company's current list of planned initiatives, along with internal executive interviews to identify gaps and opportunities, and benchmarked the company's current state against industry best practices.

Clarkston Consulting identified immediate opportunities for gross margin improvement, along with a series of medium and long-term strategies spanning various functions. This comprehensive approach prompted a thorough reassessment of their operational framework, an extension of their existing operational principles, and a more effective utilization of their systems to increase gross profit.

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INDUSTRY:

Consumer Products

PRODUCTS AND SERVICES:

Supplements

PRIMARY OBJECTIVES:

- Assessed existing and potential future initiatives to drive gross margin optimization across the portfolio
- Engaged with cross-functional stakeholders to understand existing projects and future initiatives (quality, fulfillment, production, packaging, and more)
- Conducted an operational and financial assessment that included analyzing income statements, cash flow, ratio analyses, and identifying key financial trends and insights.
- Conducted comprehensive industry research to benchmark against other leading supplement and nutritional brands, enabling the company to strategically position its brand for growth in the market
- Provided recommendations to start, continue, and stop relevant projects, ensure alignment with organizational goals, resource allocation optimization, and provide a clear roadmap for maximizing project portfolio efficiency

RESOLUTION:

- In-depth internal interviews to gain insight into the company's current project landscape and to discern their future project aspirations
- Performed a comprehensive financial analysis, delving into Cost of Goods Sold (COGS) and gross margin, while also identifying and evaluating the necessary initiatives to improve both COGS and gross margin
- Conducted an exhaustive market scan that examined best-in-class nutritional and supplement companies, aiming to identify strategies and practices that could be leveraged to enhance gross margin performance
- Conducted an exhaustive review of project inter-dependencies to identify potential bottlenecks, streamline workflows, and optimize project execution
- Created an opportunity matrix, differentiating between quick wins and long-term priorities, to high and low effort across the company
- Identified additional gross margin improvement opportunities beyond the scope of initial projects, further expanding the potential for enhanced profitability creation, approval, and publishing structure

KEY BENEFITS:

- Provided a thorough identification of current and future projects required to increase gross margin
- Provided the company with the gap analysis of best-in-class supplement and nutritional companies to improve beyond gross margin (SG&A, EBITDA, Inventory Turnover, and more)
- Recommended additional gross margin improvement opportunities by re-evaluating their operating model, building on their existing operating principles, and better leveraging their systems

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KPI

8.9M

Created a summarized timing schedule of opportunity areas and projects to focus on, resulting in gross margin improvement of ~$8.9M over the next four years.

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