

The Avalon Edge

Impact Paper 3

Entrepreneurship
Dedication To Excellence
Great Value Creation
Ethical Approach



Performance Improvement

for a leading Saudi Arabia based Agro-chemical distributor

Client Situation

A leading Saudi Arabia based Agro-chemical distributor had been hit by **falling profit (EBIT)** and an **increasing cash to cash (CTC) cycle**. They approached Avalon Consulting to help improve their performance.

Avalon Consulting Interventions

EBIT Improvement Initiatives (Focused on Existing Portfolio):

Rationalization of Existing Portfolio

- 🌱 Detailed analysis including product line profitability, share of sales, sales versus gross margin, product category basket classification, etc. was done to evaluate the product portfolio - which revealed products that must be retained, those that needed re-evaluation, and those that could be removed from the portfolio
- 🌱 Based on the outcome of the analysis, a product sales strategy was recommended

Revamping Product Pricing Strategy

- 🌱 Developed a product pricing strategy that identified pricing and discounts based on independent product movement and specific customer transaction history
- 🌱 Scenario analysis was done to identify impact of proposed discount rate policies on client's revenues

Customer Rationalization

- 🌱 Customer rationalization study was done based on filtering conditions to identify customers which may not be adding value linked to their independent sales and gross margins. The study highlighted the revenue and gross margin impact of such customers
- 🌱 Action points were identified for such customers

Other Interventions

- 🌱 Other interventions included:
 - Overhead Cost Rationalization Initiative
 - BSC based Performance Management

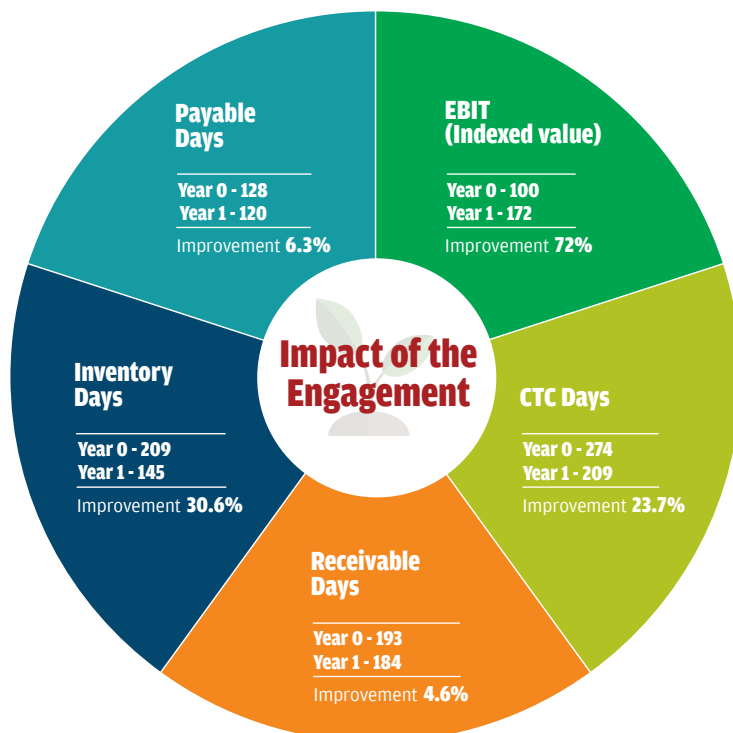
A separate set of initiatives were identified for new business opportunities (over and above the existing product portfolio)

CTC Improvement Initiatives :

- Overdue Reduction Program was undertaken through a scenario analysis of several initiatives to understand the impact of these initiatives. The relevant initiatives were implemented over a period of 12 to 18 months
 - Developing a detailed credit policy and applying the policy through the ERP system
 - Complete contract formalities with customers who qualify for credit
 - Stop credit sales to cash customers who do not qualify for credit
- Block customer account for customers with greater than 360 days overdue and block credit sales for customers with greater than 180 days overdue
- Developing Internal Control Systems for Inventory Management
- Active Inventory Management to ensure zero product expiry
- Procurement planning based on a rolling 6 months' sales & operations plan

Impact of our Interventions

- Within a period of one year, the EBIT improved by more than 70%, which even exceeded their internal stretched target set for the year
- Similarly, the CTC days reduced by more than 65 days with major impact on inventory; the impact on receivables was realised in the following year



Total Fees for Avalon Consulting

Particulars	Fees (Indexed to Year 1 EBIT)
Implementation Fees	6
Success Fee – For Improvement in EBIT and CTC Days	3
Total	9

Benefit Derived= ~19x EBIT Improvement over fees paid

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