



**Geography:**  
Malaysia

**Our Value Add:**  
Performance Improvement & Financial Advisory

## Client's Situation

- Our client is a mid-sized manufacturer of personal and home care products including liquid hand soap, detergent and shampoo. It has a portfolio of more than 100 products across 3 segments which it sells under its own brands as well as on an OEM basis for its customers
- The Company has been consistently profitable although revenue and profits have been flat in the recent years and there has been a slight dip in profit margins due to increasing overhead costs
- An investor who owns 32% of the Company expressed that while he was pleased with the majority owners who managed the business well for over 20 years, he felt that the Company had the potential to grow further and improve its business and financial performance. The investor felt that there was room for improvement in the Company's processes and understanding of financial information to find areas to optimise and improve performance

## Our Approach

- We performed an analysis of the Company's sales and gross profit by product, starting with the top 20 products, focusing on the cost of goods sold. We found that certain raw material costs were not allocated on a reasonable basis
- Following discussions with the Company's management, finance and operations teams, a revised gross profit analysis for the Company's products was developed. Based on this, we identified products that had strong contribution to the gross profit. At the same time, we also identified some products that had negative gross profit margins. The Company's management was surprised at this finding but understood the implications
- We worked with the Company's to develop a plan to immediately start reducing the sales of the weaker products and focus efforts on the products with strong contribution. We were also involved in working with the operations and sales teams to manage and redistribute manufacturing capacity and implement revised pricing models

## Our Value Add

- Based on our analysis and recommendations, the Company was able to reduce the sales and production of poor performing products and in some cases, it was able to renegotiate terms with its customers to re-price these products. Our analysis provided a useful and strong base for these contract discussions with customers
- Because of our work, the Company was able to get clarity of the profitability of its products which it did not previously have. The Company was successful in optimising its sales and saw an increase in gross profit margins by more than 7% and this proved to be sustainable over a period of three months and has been maintained to date
- Following the initial work on the top 20 products, the Company also requested that we extend our work to all its products and other overhead costs and also to advise them on developing processes to better track and capture cost and other financial information
- Our work has led to an increase in overall profitability for our Client